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THE WHITE HOUSE  
WASHINGTON

THE ATTACHED MEMO RELATES  
TO MEETING SCHEDULED FOR  
23 JUNE (THURSDAY).

1:00 p.m.



PRESIDENT'S  
REORGANIZATION  
PROJECT

1:00 PM

WASHINGTON, D.C. 20503

THE PRESIDENT HAS SEEN.

June 21, 1977

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✓

Meeting with Bert Lance, et al  
Thursday, June 23, 1977  
1:00 p.m. (1 hour)  
Cabinet Room

FROM: Bert Lance  
Jim McIntyre  
Harrison Wellford

*B. Lance*  
*J. McIntyre*

I. PURPOSE

To discuss briefly the project status, the organizational issues which have been recommended for immediate study and the press strategy to announce the selection of these issues.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

- A. Background: The Reorganization Project now has over 20 studies already underway. In addition, we are at the mid-point of a Governmentwide review of major organizational issues. By the end of July, we will have completed work on a comprehensive report presenting a large agenda of possible reorganization projects. We are already at the point, however, at which we can identify several reorganization issues which stand out as candidates for early action. This meeting will permit us to discuss these issues with you and the Executive Committee. This will also be the first meeting of the Executive Committee to discuss reorganization matters. If you and the Executive Committee agree with our choice of early issues, major studies on any or all of them could begin within two weeks.

**Electrostatic Copy Made  
for Preservation Purposes**

B. Participants:

Executive Committee

Vice President Mondale  
Bert Lance  
Alan Campbell  
Charles Schultze  
Dick Pettigrew

Reorganization Project

Jim McIntyre  
> Harrison Wellford - *State*  
> Wayne Granquist - *GSA*  
Peter Szanton  
> Lester Salamon - *ECON*  
> Pat Gwaltney - *Human*  
Tread Davis - *Justice*  
Dave Woodham

C. Press Plan: White House photographer

III. Talking Points:

See "Background" section

*Legis  
Cong staffs*





# PRESIDENT'S REORGANIZATION PROJECT

WASHINGTON, D.C. 20503

June 21, 1977

## MEMORANDUM FOR THE PRESIDENT

SUBJECT: Early Identification of Priority Reorganization  
Issues

The Reorganization Project now has over 20 studies underway. They are summarized in our progress report of June 17 (attached as Exhibit 1). In addition, we are now at the mid-point of a governmentwide review of major organizational issues. Through outside experts, independent data-gathering and interviews with interest groups, departmental officials, Congressional staff, White House staff, and our own colleagues within OMB, we are developing a comprehensive listing of reorganization questions, and testing them to learn:

1. Which programs and organizational units presently cause the greatest discontent among consumers of their products/services and the citizenry in general.
2. Where the greatest opportunities for both (a) early and visible and (b) recurring and fundamental improvements exist (e.g., cost savings; better service quality).
3. Which programs and organizations appear most subject to restructuring along sound management principles (such as those articulated in the campaign and listed as objectives of the President's Reorganization Project).
4. The nature, seriousness, and likely impact on implementation of legal, administrative and other barriers to reorganization.

By the end of July, we will have completed work on a comprehensive report presenting a large agenda of possible reorganization projects.

### Immediate Reorganization Issues

We are now at the point, where we can identify a number of issues that stand out as candidates for early action. The issues are in the following areas and are described in greater detail in the attached Issue Summaries:

1. Law Enforcement (Exhibit 2)
2. Small Agency Reduction (Exhibit 3)
3. Economic Development (Exhibit 4)
4. Administrative Services (Exhibit 5)
5. Education (Exhibit 6)
6. Human Services (Exhibit 7)

Each Issue Summary includes:

- A short statement of the problems and opportunities which define the issue.
- An evaluation of current initiatives.
- A notation of prior initiatives.
- Our recommended action.
- An estimate of potential benefits.
- Specification of constraints and potential liabilities.
- A list of concerned agencies, groups and individuals.

#### Action Desired

Each of these high priority issues has been discussed with the agency officials. We are scheduled to meet with you and the Reorganization Executive Committee on June 23 at 1:00 p.m. If, at the meeting, you agree with the choice of these issues, major studies of any or all of them could be begun within two weeks. We are in the process of scheduling subsequent meetings with you to discuss additional issues.

Exhibit 1





# PRESIDENT'S REORGANIZATION PROJECT

WASHINGTON, D.C. 20503

## PRESIDENT'S REORGANIZATION PROJECT

Progress Report No. 8

June 17, 1977

The Reorganization Project is continuing its identification of issues for the President's reorganization agenda. We are now preparing an interim short list of well documented issues for submission to the President. The full list of issues will be submitted by the end of July.

The Organization Studies group has begun several new projects in cooperation with other agencies and staffs. Work on border law enforcement, classification of national security documents, Employee Retirement Income Security study, and the organizational implications of the work of the task force on aliens are described in the attached summary.

The EOP study project has drafted its final report for the President. Internal PRP reviews should be completed by next week.

On June 16th, Harrison Wellford, Wayne Granquist, Peter Szanton and Dick Pettigrew briefed the Domestic Council staff on the goals, organization, and progress of the President's Reorganization Project.

On June 7th, Wayne Granquist announced the Automated Data Processing study in a speech before the Interagency Committee on Automatic Data Processing. That speech was reproduced in the June 13 Congressional Record.

Co-Chairmen of the civil service reform project working group, Jule Sugarman and Howard Messner, held the first in a series of field meetings with people affected by the civil service system in St. Louis on June 15th and 16th. They met with local Civil Service Commission staff, employee representative groups, agency directors and staffs, and local military post commanders. They also held open meetings for civil service employees to gain first hand knowledge about the system at the point of delivery.

The Joint Funding assessment study was announced in the June 14 Federal Register. Letters were also sent to state and local interest groups, federal agencies, and the Federal Regional Councils asking for comments.

Attachment



# PRESIDENT'S REORGANIZATION PROJECT

Summary of Work Underway  
As of June 17, 1977

Project	Scope	Current Status	Scheduled Completion Date	Primary P R P Contact
Advisory Committee Reduction	To eliminate all unnecessary committees	OMB reviews of State, Treasury, ERDA, SEC, CSC, and the Water Resources Council have been returned to those agencies for comment. Further reductions proposed.	Aug 15	Howard Messner
Alien Study	To determine reorganization implications of Interdepartmental Task Force on Aliens (Domestic Council, Justice, State, DOL, HEW, OMB)	Policy memorandum is being prepared to be submitted to the President		Tread Davis (with Task Force)
Automated Data Processing	To improve management utilization of ADP in the delivery of Government services	Study plan approved and initial detailed staff being assembled. Problem identification solicitation sent to agencies, trade associations and interest groups		Walter Haase
Border Law Enforcement	To determine reorganization implications of joint ODAP-OMB examination of Border Law	Determination of issues has been completed. Report being prepared.	Aug 22	Tread Davis (with ODAP)

# PRESIDENT'S REORGANIZATION PROJECT

Summary of Work Underway

As of June 17, 1977

Project	Scope	Current Status	Scheduled Completion Date	Primary P R P Contact
Civil Rights	To reduce burden of formal compliance activity and to strengthen enforcement of civil rights legislation	Meetings on issue identification continuing	Sept 30 (Phase I: EEO)	Howard Glickstein
Civil Service Reform	To reform Federal Personnel Management systems; identify early partial solutions to documented problems	Initial session of working group held. Several task force directors identified, and the first visit for field view (St. Louis) held		Howard Messner
Classification of National Security Documents	To determine reorganization implications of the working group led by the Domestic Council and NSC	The working group is developing options and recommendations	July 6	Eric Hirshhorn (with Domestic Council and NSC)
Economic Impact Analysis	To improve agency procedures for determining the effects of regulations before they are issued	To be placed on EPG calendar for review		Stan Morris (with CEA)



# PRESIDENT'S REORGANIZATION PROJECT

## Summary of Work Underway

As of June 17, 1977

Project	Scope	Current Status	Scheduled Completion Date	Primary P R P Contact
Employee Retirement Income Security	To achieve more effective administration of ERISA	Task Force formed	Aug 20	Pat Gwaltney (with Labor and Treasury Departments)
Executive Office of the President	To reform structure and function of EOP agencies	Draft report completed	June 27	A.D. Frazier
Federal Field Operations	To reform established policies governing field structure and management	Draft agency field structure policy guidance completed	June 24	Vince Puritano
Federal Regional Councils	To determine need for continuing or improving the FRC's	Awaiting President's decision. WH staff have collected comments from Cabinet and are preparing a position paper. OMB position paper also forwarded to WH	June 27	Vince Puritano (with Jack Watson's staff)
Intergovernmental Management Circulars	To improve service delivery and procedures discussed in OMB Circulars A-95, A-85, and A-111 (Joint Funding)	A-95 Draft scope of work for survey of agencies and analysis of clearing-house questionnaires completed	Aug 30	Vince Puritano



# PRESIDENT'S REORGANIZATION PROJECT

Summary of Work Underway

As of June 17, 1977

Project	Scope	Current Status	Scheduled Completion Date	Primary P R P Contact
Paperwork Reduction	To reduce federal government reporting burdens	<p>A-85 Draft regulation reviews circular prepared for circulation within OMB and coordinated with the WH</p> <p>A-111 Joint Funding project was announced in the Federal Register 6/14. Project components covering the full range of grant assistance programs, agency participation, mix of recipients were selected.</p> <p>Departments and agencies have established goals for paperwork reductions</p>		Joe Duncan
Personal Data Reduction	To reduce number of systems maintaining personal records	<p>11 of 12 major record-keeping agencies have plans or goals for reducing the maintenance of personal data. To date 23 record systems have been discontinued.</p>		

## **PRESIDENT'S REORGANIZATION PROJECT**

**Summary of Work Underway**

**As of June 17, 1977**

<b>Project</b>	<b>Scope</b>	<b>Current Status</b>	<b>Scheduled Completion Date</b>	<b>Primary P R P Contact</b>
Statistical Organiza- tion	To eliminate unnecessary collection of statistical data and to reduce the number of collection points	Completed review of 49 smallest statistical data collection agen- cies, and developed draft report recommen- dations on merging or maintaining activities	Sept 2 (Phase I)	Joe Duncan



## PRESIDENT'S REORGANIZATION PROJECT

Recommendations Approved by the President

As of June 17, 1977

Project	Scope	Current Status	Primary P R P Contact
Airline Deregulation	To increase competition in the industry by reducing CAB regulation of fares and entry	Legislation in Congress	Stan Morris (with CEA and Domestic Council)
Consumer Functions	To consolidate existing consumer agencies within a new Consumer Protection Agency	Decision made to proceed with transfer of identified consumer units in connection with establishment of consumer agency. Legislation to create agency in Congress. Implementation of reorganization proposal being developed.	Stan Morris (with Esther Peterson and CEA)



Exhibit 2

PRESIDENT'S REORGANIZATION PROJECT  
ISSUE SUMMARY  
LAW ENFORCEMENT

Issue: What organizational changes are needed to improve Federal law enforcement? What enforcement should be primarily at the Federal level? How can jurisdiction be clarified and duplication reduced?

Summary of Problems and Opportunities:

A. Federal Agencies

Schedule I to this summary shows that the Federal Government has approximately seventy-five (75) Departments and Agencies involved in police, law enforcement and investigative-related missions, activities, and programs. A preliminary review indicates that at least 41 separate agencies are involved in police and investigative activities; 12 separate agencies are conducting personnel background investigations; 36 separate agencies have guard or security forces, for a total approximate annual cost of \$2.5 billion.

This fragmentation and jurisdictional ambiguity results in duplication, inefficiencies and ineffectiveness. In some instances, this translates into operational confusion, and in others, direct conflicts. The Federal Law Enforcement effort is not coherent, and there is considerable evidence that it is not as responsive as it should be to the priorities of our changing society.

Federal fragmentation is obvious at the U.S. Borders. The U.S. Customs Service has responsibility for collecting duties and the prevention of smuggling; the Drug Enforcement Administration has responsibility for drug enforcement at the border; the U.S. Coast Guard has responsibility for law enforcement on the seas; the Immigration and Naturalization Service is responsible for checking health status; and the Department of Agriculture is responsible for inspecting agricultural-related items.

Similar overlap or duplication exists elsewhere in the Federal effort (e.g., bombing jurisdiction between the Federal Bureau of Investigation in the Department of Justice and the Bureau of Alcohol, Tobacco and Firearms in the Department of Treasury).



## B. Federal-State Jurisdictions

A similar problem exists between the Federal and State efforts (e.g., overlapping jurisdiction regarding bank robberies and stolen motor vehicles). This issue also has significant inter-governmental ramifications since a redefinition of the Federal roles vis-a-vis state and local law enforcement should identify areas of jurisdictional overlap or duplication that when corrected would improve the efficiency and effectiveness of all public expenditures for law enforcement.

In many instances, the units of State and local government and the citizens they serve are confused by the fragmented missions, jurisdictions and operating policies of Federal law enforcement.

### Current Initiatives:

Several isolated reviews are being conducted in law enforcement agencies, (e.g., the Department of Justice FBI/DEA study). All of the current reviews have begun with basic assumptions of jurisdiction and mission but have not had the scope or charge to examine the basic structure and priorities throughout the Federal Government.

The Office of Drug Abuse Policy, in cooperation with the President's Reorganization Project, currently has an interagency task force working in three related areas: (1) drug law enforcement; (2) narcotics intelligence and (3) border management. These initiatives are expected to be completed by the end of August, 1977. Recommendations would tie directly into the larger study proposed here.

### Prior Initiatives:

Federal law enforcement organizations have been restructured and reorganized many times, e.g., Reorganization Plan No. 2 created the Drug Enforcement Administration in 1973. Most of the past reorganizations involved rearranging spurred by the particular "problem of the day." No comprehensive initiative directed at identifying and analyzing the basic purposes, missions, and objectives of the Federal law enforcement has been done since at least the 1930's. The Hoover Commission did not address law enforcement. President Johnson's Commission on Law Enforcement and Administration of Justice directed its attention primarily to State and local activities. Recent studies have been focused on specific problem areas such as: organized crime; white collar crime; drugs and narcotics; and undocumented aliens. All of these studies identify some fragmentation and jurisdictional ambiguity at the Federal level.



Recommended Action:

1. The President's Reorganization Project should undertake a comprehensive review of all Federal Law Enforcement activities in cooperation with the departments and agencies involved, as well as the State and local counterparts and public interest groups.
2. Based on the foregoing review of Federal Law Enforcement functions, missions, jurisdictions and priorities, recommendations for structural and other changes would be made.

Potential Benefits:

- . Rationalization of Federal and State roles in Law Enforcement.
- . Creating a Federal Law Enforcement structure more responsive to Presidential policy priorities and individual rights.

Constraints and Potential Liabilities:

- . Agency resistance to change in historical structure and jurisdiction.
- . Congressional resistance to such change.
- . Spectre of a "National Police Force."

Agency, Groups and Individuals Concerned:

- . 75 Departments and Agencies have law enforcement related activities (see Schedule I).
- . Congress
- . State and local governments
- . Public interest groups concerned with law enforcement or civil liberties.

Related Issues:

- . Current study of border management (ODAP/OMB)
- . Current study of FBI/DEA merger
- . Undocumented Alien Task Force

Attachment - Schedule I

SCHEDULE I  
FY 75 DATA

ORGANIZATION	POLICE ACTIVITIES						IN HOUSE INVESTIGATIVE ACTIVITIES				TOTAL	
	Investigations		Guards		Miscellaneous		Personnel Security Investigations		Criminal Investigations			
	Positions	Funds	Positions	Funds	Positions	Funds	Positions	Funds	Positions	Funds	Positions	Funds
GRAND TOTAL – ALL ORGANIZATIONS	88,861	\$1,524,915	49,217	\$545,750	15,205	\$266,558	4,856	\$87,121	6,095	\$99,090	164,234	\$2,523,434
DEPARTMENT OF AGRICULTURE											473	9,717
1. Office of Investigation									342	7,926		
2. Forest Service	60	1,140										
3. Security Force			71	651							186	3,548
DEPARTMENT OF COMMERCE												
4. National Marine Fisheries Service	74	2,062										
5. Economic Development Admin.	8	182										
6. Maritime Administration			11	127								
7. National Bureau of Standards			30	395								
8. Miscellaneous Offices	52	584							11	198		
DEPARTMENT OF DEFENSE											88,931	911,367
9. United States Air Force	11,858	119,175	19,217	175,384	5,336	59,116	77	1,012	1,551	20,488		
10. United States Army	24,139	225,428	2,700	43,564	887	10,884	126	1,814	2,534	35,469		
11. United States Navy	3,229	31,600	3,834	41,931			9	191	738	15,491		
12. United States Marine Corps	1,270	10,816	8,347	68,356	4	89						
13. Defense Intelligence Agency			54	655								
14. Defense Investigative Service							2,630	45,623				
15. Defense Mapping Agency			106	1,135								
16. Defense Supply Agency			285	3,146								
DEPT. OF HEALTH, EDUCATION AND WELFARE											208	3,094
17. Division of Investigations									15	401		
18. Health Service Administration			32	329								
19. Alcohol, Drug Abuse & Mental Health Admin.			40	552								
20. Center for Disease Control			9	91								
21. National Institute of Health			96	1,324								
22. Social Security Administration									16	397		
DEPT. OF HOUSING & URBAN DEVELOPMENT											91	2,080
23. Office of Inspector General									91	2,080		
DEPARTMENT OF INTERIOR											2,884	39,879
24. Bureau of Mines			7	79								
25. Bureau of Reclamation			44	600								
26. U.S. Fish and Wildlife Service	159	4,953										
27. Bureau of Land Management	7	150										
28. Bureau of Indian Affairs	468	9,871										
29. National Park Service	2,141	23,387	58	598		241						
DEPARTMENT OF JUSTICE											30,960	760,999
30. United States Marshals Service	2,049	53,260										
31. Immigration & Naturalization Service	4,932	117,256	658	17,891								
32. Federal Bureau of Investigation	12,107	297,928			7,548	152,764						
33. Drug Enforcement Admin.	2,955	98,227			711	23,673						
DEPARTMENT OF LABOR											7	172
34. Office of Investigations									7	172		
DEPARTMENT OF STATE											214	3,827
35. Security Office			5	428	20	320						
36. Division of Security							189	3,079				
DEPARTMENT OF TRANSPORTATION											3,206	48,786
37. Office of the Secretary									4	80		
38. Federal Aviation Administration	250	5,791	201	3,105					30	680		
39. U.S. Coast Guard	2,427	35,247	169	1,587			116	1,961	2	70		
40. Federal Railroad Administration	7	265										
DEPARTMENT OF TREASURY											18,317	434,161

DEPARTMENT OF TREASURY										18,317	434,161
41. Federal Law Enforcement Training Ctr.				88	3,115						
42. Bureau of Alcohol, Tobacco, & Firearms	2,491	64,489									
43. U.S. Customs Service	7,453	154,899		194	9,426	100	2,173	(Incl. in Security Invest.)			
44. Internal Revenue Service	4,000	100,316				(Incl. in Crim. Invest.)	556	11,463			
45. United States Secret Service	1,957	62,450	1,038	20,330							
46. Bureau of Engraving & Printing			180	2,978							
47. Bureau of the Mint			260	2,522							
ACTION										10	87
48. Personnel Security Division						10	87				
ADMIN. OFFICE OF THE U.S. COURTS										2,455	45,872
49. Probation Service	2,437	45,290		18	582						
ENERGY RESOURCES & DEV. ADMIN.										557	7,419
50. Division of Safeguards & Security			306	4,107	251	3,312					
ENVIRONMENTAL PROTECTION AGENCY										13	257
51. Security & Inspection Division							13	257			
FARM CREDIT ADMINISTRATION										1	31
52. Examination Division							1	31			
FEDERAL RESERVE SYSTEM										50	592
53. Physical Security Section			50	592							
GENERAL SERVICES ADMIN.										4,573	67,483
54. Office of Investigation							64	1,579			
55. Federal Protective Service			4,432	64,690	34	500	43	714			
GOVERNMENT PRINTING OFFICE										131	1,746
56. Security Service			131	1,746				(Incl. in Police Activities)			
LIBRARY OF CONGRESS										104	1,286
57. Special Police			104	1,286				(Incl. in Police Activities)			
NASA										26	614
58. Inspections & Security Division						10	272	16	342		
NATIONAL GALLERY OF ART										139	1,749
59. Protection Staff			139	1,749							
CANAL ZONE GOVERNMENT										617	10,275
60. Customs Division	77	1,363									
61. Police Division	311	6,647									
62. Internal Security Office					10		4	40			
63. Panama Canal Company			215	2,225							
SMALL BUSINESS ADMINISTRATION										20	328
64. Securities & Investigations Division							20	328			
SMITHSONIAN INSTITUTE										419	5,552
65. Protection Services			410	5,443			9	109			
TENNESSEE VALLEY AUTHORITY										315	4,867
66. Patrol Force			315	4,867							
UNITED STATES CAPITOL POLICE										1,090	13,963
67. Police Force	10 (Incl. in Guards)	1,018	12,272	62	1,691						
U.S. CIVIL SERVICE COMMISSION										1,301	23,071
68. Bureau of Personnel Investigations						<sup>2</sup> 1,301	23,071	(Incl. in Security Invest.)			
U.S. INFORMATION AGENCY										22	410
69. Physical Security Division	(Incl. in Guards)		13	179							
70. Investigation Division							9	231			
UNITED STATES POSTAL SERVICE										5,155	102,463
71. Office of Security			2,900	41,835			284	7,798			
72. Office of Criminal Investigations	1,933	52,139			38	691					
UNITED STATES SUPREME COURT										52	685
73. Police Force			52	685							
VETERANS ADMINISTRATION										1,707	17,054
74. Investigation and Security Service							23	584			
75. Dept. of Medicine and Surgery			1,680	16,316	4	154					

Source: Report Prepared by the Government Accounting Office, entitled, "Budgetary, Organizational, and Personnel Data on Departments and Agencies Performing Police or Investigative Activities" for the U.S. Senate Committee on Government Operations.

<sup>1</sup> Estimated number of civilian guards.

<sup>2</sup> Personnel security investigations are performed for other departments and agencies.

The data presented does not include the correctional positions and funding of the Department of Defense (i.e., Air Force, Army, Navy, Marine Corps), the Department of Justice (i.e., Bureau of Prisons), the Department of Health, Education and Welfare and the Canal Zone. These activities total to 8,008 positions and 92,024 million dollars.



Exhibit 3

PRESIDENT'S REORGANIZATION PROJECT  
ISSUE SUMMARY  
SMALL AGENCY REDUCTION

Issue:

Reduction in number of small executive agencies, commissions, committees, and boards.

Summary of Problems and Opportunities:

One of the President's major campaign issues was a reduction in proliferation of small, single purpose units within the Federal Government.

More than 100 non-cabinet executive agencies and other committees, commissions, and boards are identified in the organization unit inventory.

As a result of preliminary reviews, there is reason to believe a number of small governmental entities duplicate or overlap at least in part the functions performed by some larger units.

Current Initiatives:

Our advisory committee reduction program is underway and should be completed by August 15.

Prior Initiatives:

The General Accounting Office and several departments and agencies have conducted studies on the cost, effectiveness, and efficiency of a number of small units. Frequently, they have recommended additional study prior to making organizational decisions. In some cases, they have concluded such units serve no useful purpose other than to provide recognition for political appointees.

Recommended Action:

The President's Reorganization Project should study and make recommendations for each small unit based on the following criteria:

1. Are the functions necessary?
2. If so, can they be performed by larger governmental units, or should they remain independent?



Study priorities should be established on the basis of additional feedback from departments and agencies, the Congress, and public interest groups. Once priorities are established, studies should proceed incrementally and recommendations forwarded upon completion.

Potential Benefits:

A greater streamlining of the Federal Government and a greater consolidation of accountability for Federal programs and initiatives.

Constraints and Potential Liabilities:

A number of small entities serve very specialized constituencies and interest groups. Several also have very strong ties to Congressional committees.

Agencies, Groups, and Individuals Concerned:

Interested parties vary for each separate agency, commission, committee, and board.

Related Issues:

Issues will vary by agency, and may or may not be related to other PRP projects. To the extent they are, they should be coordinated with those efforts. For example, analysis of the Foreign Service Grievance Board should be considered vis-a-vis the larger issue of central personnel management.

Exhibit 4



PRESIDENT'S REORGANIZATION PROJECT  
ISSUE SUMMARY

ECONOMIC AND COMMUNITY DEVELOPMENT

Issue: How can Federal economic and community development programs be made more consistent and effective, to cope more successfully with local social and economic problems?

Problem:

The Federal government will devote approximately \$32 billion in direct outlays and \$50 billion in loans or guarantees in FY 1977 to programs that affect the capacity of rural and urban communities to overcome problems of blight, economic stagnation and chronic unemployment. Five basic types of activity form the core of this effort: business promotion; public facilities investment; housing assistance; transportation subsidies and regulation; and training and employment assistance.

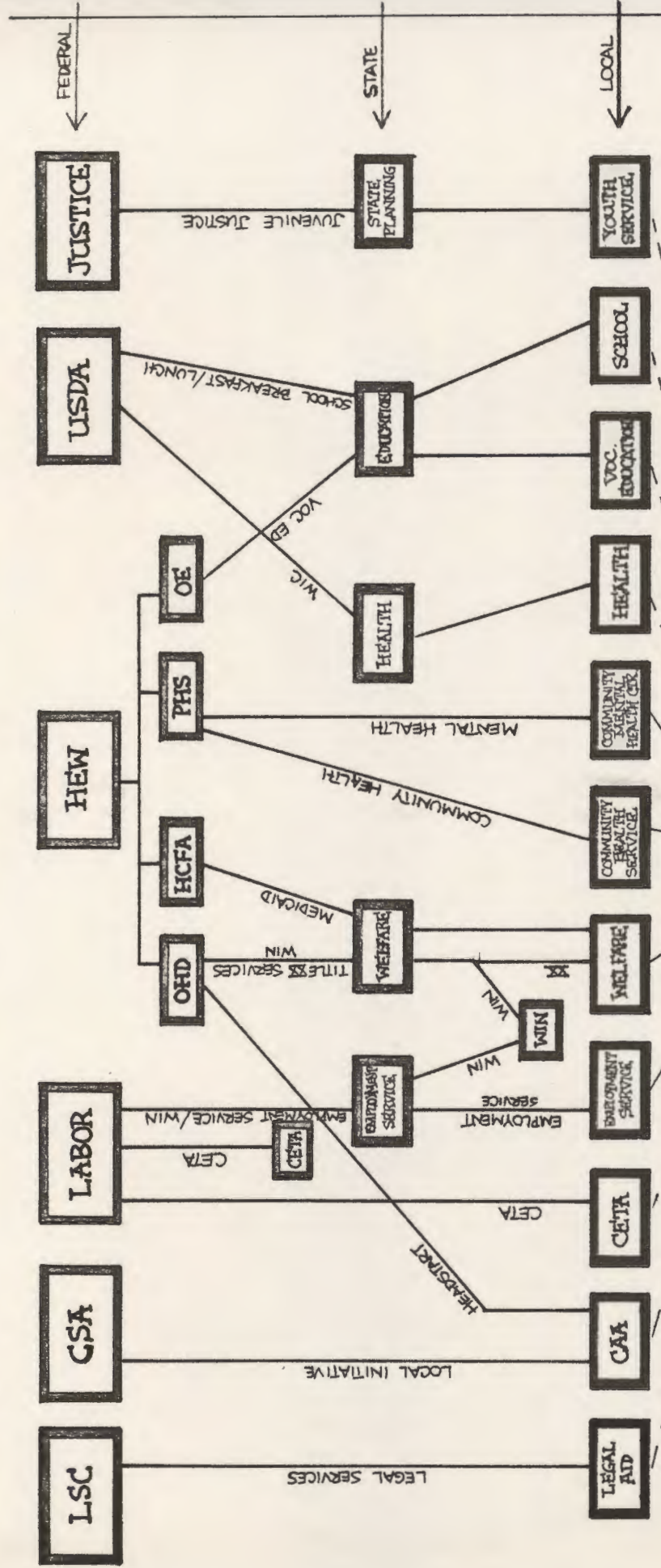
However, this handful of activities really represents a bewildering multitude of separate programs. For example:

- In business promotion: Over 100 different programs in more than 10 different agencies provide financial and managerial assistance to businesses.
- In public facilities investment: There are 46 sewage-related programs alone, dispensing about \$6 billion through 7 agencies in 5 departments, two independent agencies and 8 regional commissions.
- In housing: There are at least 77 different programs, administered by 15 different agencies and overseen by three separate government-chartered secondary mortgage agencies.
- In transportation: Sixty grant assistance programs are channelled through DOT's six, semi-autonomous operating administrations and an additional network of 25 non-DOT agencies; while the three independent regulatory agencies (ICC, CAB, and FMC) shape other aspects of transportation policy.

This specialization creates a system that is at once excessively rigid and barely comprehensible, allowing many people and places to fall through the cracks, limiting effective public participation in priority-setting, and undermining public trust in government.



# HOW A YOUNG MOTHER WITH TWO CHILDREN (ONE PRE-SCHOOL, ONE SCHOOL-AGE) MIGHT VIEW THE HUMAN SERVICES DELIVERY SYSTEM



## Social Services

1. Welfare Office - Title XX Services
2. Community Action Agency - Services/Headstart
3. Legal Aid - Legal Services
4. School - Breakfast/Lunch
5. Juvenile Service - Youth Services

## Employment/Training

1. Employment Service
2. CETA
3. Voc. Ed.
4. WIN

## Health & Mental Health Services

1. Welfare - Medicaid
2. Community Health Center - Health
3. Community Mental Health Center - Mental Health
4. County Health Department - WIC



Worse yet, these numerous programs frequently operate in substantial isolation, or even at cross-purposes, from each other, making it exceedingly difficult for communities to package the separate elements in the manner required for sound economic and community development.

For example:

- \$7.9 billion will be spent in FY 1977 for employment and training assistance with little link to economic development activities, producing widespread frustration on the part of the thousands of enrollees who train for jobs that never materialize.
- EPA sinks billions of dollars into suburban water supply systems that, along with the federal highway program, attract development away from the central cities HUD and EDA are trying to stimulate.

Although planning requirements are attached to many of these programs presumably to reduce these inconsistencies, the great variety and inconsistency of the plans have become serious problems in their own right. Instead of facilitating coherent, local development efforts, therefore, the existing Federal program structure helps to frustrate them.

#### Current Initiatives:

- Major new economic development program initiatives or studies are under discussion or already proposed by the Departments of Agriculture, Commerce, Treasury, and Housing and Urban Development.
- A Cabinet Task Force on Urban and Regional Policy was formed in March to help develop new urban policy initiatives.
- At OMB's prompting FmHA and EDA will undertake studies of various community and economic development activities in preparation for the Fall Budget Review.
- DOT is developing a proposal to consolidate transportation grant/assistance programs.
- A White House Conference on the Federal role in economic development will be held in February 1978, providing a forum for a Presidential statement.
- Initiatives are under consideration in the Congress to alter urban mass transit programs, extend and expand the community development block grant program,



expand SBA and CETA, and consolidate Federal planning assistance and planning requirements.

Comment: These and other activities suggest a high level of interest in this subject, but no real focus for coordinating the comprehensive review or restructuring that is needed.

#### Prior Initiatives:

- The Price Commission, in proposing the creation of HUD in 1964, would have created a considerably broader Department than ultimately emerged.
- The Ash Council in 1971 renewed and amplified the proposal for a broad Department of Community Development embracing HUD, EDA, the Title V Regional Commissions, the Rural Electrification Administration, rural development and rural housing programs, the federal highway program, and urban mass transit. Unlike many of the Nixon proposals, this one received a substantial degree of support.
- Former Secretary of Transportation Coleman proposed the consolidation of the numerous transportation assistance programs and the separate DOT modal administrations.
- The Ash Council (1971) proposed to replace the ICC, the CAB, and the FMC, with a single transportation regulatory authority.
- Several efforts have been made to consolidate federal housing programs, most recently in 1970 at the urging of HUD Secretary Romney. Each time these efforts have met with strong resistance from affected specialized groups, who feared that their programs would be downgraded.

#### Recommended Action

The President's Reorganization Project should coordinate a study of the major elements in federal community and economic development policy, focusing particularly on three sets of programs: (1) the combination of business promotion, public facilities, and employment and training programs that form the core of federal economic development assistance; (2) housing policies and related financial institution structures; and (3) transportation programs and related regulatory activities. Of special concern would be such questions as: the nature and consistency of program



goals; the desirability of separate urban, rural, and regional programs; mechanisms for linking different programs; the role to be played by non-Federal officials; the role of citizen participation; and the structure of the delivery systems.

The study would extend for 9 months, with interim results expected in late December.

#### Potential Benefits:

1. Improved economic growth and lower unemployment in lagging areas as a result of more effective concentration of development aids.
2. Improved community life in rural and urban areas through more effective coordination of various forms of community and economic development assistance.
3. More coherent priority setting and program integration permitting greater citizen comprehension of government purposes and operations.
4. Coordination of community and economic development programs with related energy conservation, equal opportunity, and environmental protection goals.
5. Simplification of the processes for providing Federal community and economic development assistance.
6. More efficient program operations achieved through streamlining of delivery mechanisms and assistance modes.

#### Constraints and Potential Liabilities:

1. Departmental jealousies over program responsibilities and difficulty in reaching agreement on a consistent set of goals.
2. Diffuse structure of congressional committee jurisdictions, making extensive consolidation and streamlining difficult.
3. Potential opposition from Governors, should ARC or the Title V Commissions be altered.
4. Concern on the part of affected interests that reorganization and streamlining, by shutting off some

of the sources of funds, will reduce the total amount available for this set of functions.

Agencies, Groups, and Individuals Concerned:

Agencies: USDA, HUD, Commerce, Labor, DOT, Community Services Administration, Title V Commissions, TVA, SBA, EPA, VA, Appalachian Regional Commission, and possibly the Corps of Engineers.

Groups: State and local government groups, organizations of economic development districts, planners and urban experts, urban and rural interest groups, environmental groups, small business groups, and labor.

Related Issues:

1. Welfare Reform
2. Federal Field Structure
3. Intergovernmental Aid
4. Social Services
5. Regulatory Reform





PRESIDENT'S REORGANIZATION PROJECT  
ISSUE SUMMARY  
ADMINISTRATIVE SERVICES

Issue: What organizational changes are needed to improve the delivery of administrative services within the Federal Government? Is centralization the solution or the problem?

Summary of Problems and Opportunities

The General Services Administration (GSA) was established as the central administrative agency for the Federal Government under the Federal Property and Administrative Services Act of 1949. GSA is responsible for both regulatory and operating functions in real and personal property, automatic data processing, telecommunications, records management and certain emergency preparedness activities.

Conflicting legislation and dispersed authority, together with the relatively low stature of the agency, have severely limited GSA's effectiveness as a central administrative agency. Program agencies frustrated with centralized service levels seek to duplicate services and are increasingly critical of GSA's central management of support activities. Examples of their criticisms include the following:

- ° The Public Building Service spends about \$1.3 billion per year and employs some 20,000 workers to operate a centralized public facilities program for Federal agencies. Yet Federal agencies complain that they cannot acquire adequate space for their operations, that cleaning and other maintenance services are inadequate, and that building security is insufficient.
- ° The Federal Supply Service spends about \$270 million annually and employs nearly 8,000 workers to manage central procurement, personal property and transportation of non-defense Federal agencies. In addition to the approximately \$1.4 billion in annual procurements spent by GSA, each Federal agency makes direct purchases of additional supplies. There is not a clear understanding of what value or costs can be associated with the existing supply system. General Accounting Office surveys indicate there is a growing fragmentation of activity, an increasing duplication of effort, and a greater need for increased coordination between GSA (the civilian agency service center) and the Defense Logistics Agency (the Defense Department's center for similar services).



### Current Initiatives:

Two major related efforts have begun:

1. Office of Federal Procurement Policy -- Efforts are underway to promote a National Supply System and uniform Federal procurement regulations; to study proliferation of agencies engaged in direct Federal construction; and to establish definitive policies on the extent to which the government contracts out for commercial goods and services.
2. Administrative Management Division, OMB -- Study of Federal ADP management by user agencies, and roles/relationships of ADP policy agencies (OMB, Commerce, OFPP, GSA). Issues include the extent to which there should be more centralized ADP services and the need for better coordination of policy functions.

### Prior Initiatives:

The first Hoover Commission recommended that central policy and service functions related to government supplies be vested in a single civilian agency. Its recommendation led to the establishment of GSA in 1949. The second Hoover Commission recommended greater consolidation of military supply functions, thus leading to establishment in 1961 of The Defense Logistics Agency's predecessor, the Defense Supply Agency. In 1972, the Commission on Government Procurement recommended establishment of the Office of Federal Procurement Policy, as well as greater consolidation of procurement statutes, policy functions and operations. All are valuable resources for this effort, particularly in reexamining the basic rationale for centralization.

### Recommended Action:

Undertake a comprehensive review of the activities of the General Services Administration utilizing the leadership of GSA and OMB and providing for the direct involvement of program agency senior management in both problem definition and developing alternatives for solution. Relationships between functions within GSA will be examined, as well as relationships with the Department of Defense and other non-Defense agencies with similar administrative responsibilities. The project will, however, focus primarily on administrative services provided by GSA in light of the following basic questions:



- What are the objectives of a centralized support agency; and are they valid in view of over 25 years of operating experience?
- To what extent are the objectives being achieved? What economies result from the provision of centralized services after considering overhead costs both within GSA and the user agencies?
- What are the major limitations, if any, to achieving the objectives?
- What duplication and overlap, if any, exists between GSA programs and similar activities in other agencies?
- What other administrative and management functions should be considered for combination with this cluster of activities?
- Which GSA functions could be enhanced through increased delegation of authority or transfer to the program agencies?

#### Potential Benefits:

Federal agencies generally are dissatisfied with GSA's performance. It is a sensitive and often emotional issue. HEW Secretary Califano, for one, recently singled out poor service by GSA as one of his major concerns. A reorganization review and proposal in which the user agencies participated should help rebuild agency confidence in the Federal service and supply system. There should also be as yet unquantifiable savings in dollars and increased efficiency through better management and organization of property and administrative service functions.

#### Constraints and Liabilities:

Congressional interest in these programs is high, and operating relationships between certain Congressional subcommittees and the staff of some GSA units have become close. These relationships may impede legislative changes recommended by this study.

#### Agencies, Groups, and Individuals Concerned:

This is a governmentwide issue involving all civilian agencies. Government contractors in ADP, supply and services will be very interested.



Related Issues:

The PRP studies of Federal automated data processing and the Civil Service Commission must be coordinated with this effort, particularly as they relate to overall delivery of administrative services to Federal agencies.

Exhibit 6



PRESIDENT'S REORGANIZATION PROJECT  
ISSUE SUMMARY  
EDUCATION

Issues: What changes in the organization of Federal education activities would improve their effectiveness?

Summary of Problems and Opportunities:

The Federal Government currently spends nearly \$20 billion on more than 200 education and related programs scattered across approximately 20 Federal agencies. HEW's Education Division\* administers most of the education programs, traditionally defined, which are designed to assure equal access to education opportunities, to fund research and innovation, or to assist and encourage state and local programs. Federal support for all levels of education comprises around 10 percent of the nation's spending for education: the vast majority of funding and program responsibilities are carried out at the State and local levels. Education and related programs, such as child development, school nutrition, employment and training, cultural programs, scientific research and assistance to veterans, are not organized or coordinated to support a comprehensive and consistent Federal education policy. The development of more effective organizational arrangements should be preceded by a clearer definition of the Federal role in education.

Symptomatic of the broad problems of incoherent and ill-defined Federal support of educational activities are complaints by consumers about the quality of education and problems of equal access; by interest groups about scarce Federal dollars, uncoordinated programs and the need for more visible and prestigious Federal leadership; and by administrators and legislators about the need to define more clearly a Federal role which will stimulate excellence in teaching, learning and research.

\*The Education Division consist of: (1) Office of the Assistant Secretary for Education; (2) Office of Education; and (3) National Institute of Education. The education activities of these three offices are not well coordinated. Each of the three Administrators reports separately to the Secretary of HEW. The FY 1978 budget request for the Education Division is \$9.1 billion.

Current Initiatives:

- . In the 95th Congress, 10 bills have been introduced to establish a separate Department of Education (S.991,



introduced by Senator Ribicoff, has 45 sponsors).

- . Consolidation of student financial assistance into a single bureau in HEW's Office of Education is being implemented as part of Secretary Califano's March reorganization plan.
- . HEW's Office of Education is implementing a second internal reorganization by reducing from 28 to 7 the number of staff units reporting to the Commissioner.

Comment: The reorganization of HEW's Education Division will not solve fully either the internal or the interagency coordination problems.

#### Prior Initiatives:

- . In 1964, President Johnson's Task Force on Government Reorganization, chaired by Don Price, recommended a Cabinet-level Department of Education.
- . In 1964, President Johnson's Task Force on Education, chaired by John Gardner, recommended the creation of an independent Education Agency or a Cabinet-level department.
- . In 1967, the Heineman Commission on Government Organization recommended the consolidation of education, manpower, training and work experience programs to be administered by an Under Secretary of Education and Manpower in HEW.
- . In 1971, President Nixon submitted a reorganization plan to consolidate all social, health, income, education and training programs administered by HEW, Labor, Agriculture, Justice and the Community Services Administration into a Department of Human Resources. The social services, education and training programs would have been consolidated into the Human Development Administration within DHR.
- . In 1976, a report by Rufus Miles for the American Council on Education recommended a Cabinet-level Department of Education which would include the Education Division of HEW and other programs involving cultural activities, early childhood development, and school nutrition.
- . In 1977, the Carnegie Council on Policy Studies in Higher Education suggested the establishment of an Under Secretary (or Secretary) of Education, Research and Advanced Studies within HEW.
- . During the campaign both the President and Vice President indicated their support for a separate Department of Education.



### Recommended Action:

We propose a study of Federal education activities which would:

1. Develop a working definition of the appropriate Federal role and national purposes in education with the assistance of interested groups, individuals, legislators and administrators at the Federal, State and local levels.
2. After review within EOP of this definition of the Federal role and national purposes in education, analyze the range of education and related activities supported by the Federal Government to determine their present and potential interrelationships in this context.
3. Develop options and recommendations for structural changes to consolidate and/or better coordinate education activities.

Such a study of Federal education activities would be coordinated by the Human Resources group of the President's Reorganization Project and would draw on the appropriate government departments and agencies for staff assistance. Advice and consultation would also be sought from educators, administrators, interested groups, individuals and legislators. We would expect options and recommendations by December 1977.

### Potential Benefits:

- . National education goals would be clarified.
- . A consistent, understandable Federal role would complement State, local and private efforts and responsibilities, and would help to improve the quality of education services to all citizens.
- . Recommendations for organizational changes based on such a thorough review would substantively address the concern and interest in improving education expressed during the campaign.

### Constraints and Potential Liabilities:

- . Interested groups and individuals will view such a study as "backing off" from the campaign commitments to a separate Department of Education.

- . Administrators of education-related programs and agencies may view such a study of their activities and any possible consolidation as a threat.
- . Congress may respond by moving ahead on legislation to create a separate Department of Education.

Agencies, Groups and Individuals Concerned:

Agencies: Department of Health, Education and Welfare; Department of Agriculture; Department of Commerce, Department of Interior; Department of Defense; Department of Labor; Department of Justice; Department of State; Department of Transportation; National Science Foundation; National Foundation on the Arts and Humanities; ACTION; Appalachian Regional Commission; Corporation for Public Broadcasting; Environmental Protection Agency; Energy Research and Development Administration; General Services Administration; Library of Congress; National Aeronautics and Space Administration; National Commission on Libraries and Information Science; National Gallery of Art; Smithsonian Institution; United States Information Agency; Veterans Administration.

Groups: National Education Association, American Federation of Teachers, other elementary and secondary education groups; higher education groups such as the American Council on Education; groups representing handicapped, migrants, cities, States, private schools, colleges and universities, research, arts, and science communities, and organized labor.

Related Issues:

1. Human Services
2. Civil Rights
3. Economic Development



Exhibit 7

PRESIDENT'S REORGANIZATION PROJECT  
ISSUE SUMMARY  
HUMAN SERVICES

Issue: What changes in the structure and requirements of Federal human services programs would lead to increased coordination, efficiency and equity in the delivery of services to needy families and individuals?

Summary of Problems and Opportunities

The Federal Government currently spends approximately \$22 billion on more than 100 programs administered by 10 departments and agencies which provide assistance to States, localities, and community organizations for the delivery of services to families and individuals. The human service programs are intended to complement income assistance and health insurance programs by providing access and supportive services such as day care, nutrition, special health services, rehabilitation, employment and training, counseling, information and referral. These services are provided principally to the poor and especially to children, youth, elderly, unemployed, handicapped or disabled, migrants, and Indians -- groups with special needs which may not be met adequately through income assistance or health insurance.

Each of these programs currently has its own set of policies, administrative and eligibility requirements. The numerous specifications and requirements for reports, evaluations, audits and specific organizational arrangements are as confounding to Governors, Mayors, and State and local administrators as the complicated and duplicative application and eligibility requirements are to potential recipients. Under 36 of these programs, Federal funds are provided as grants to States; nearly 70 programs fund selected local or community projects. These programs require 22 separate state plans and a variety of project plans.

Individuals and families in need of personal assistance or services suffer unnecessarily as a result of program inconsistencies. Although these problems are most evident in the State and local delivery systems, many inconsistencies are required or exacerbated by Federal statutes and regulations. Most potential beneficiaries are elderly, disabled,



ill or under the pressure of difficult personal situations. They are faced with long waits, incomplete information, and complicated application forms at each of many agencies they must visit in order to discover and obtain the complete range of services they need.

#### Current Initiatives:

- . Welfare reform legislation is being developed by an interagency task force. In that context, the Departments of Labor and HEW are exploring organizational arrangements for the delivery of cash assistance and employment and training services.
- . Consolidation of many services programs in the Office of Human Development in HEW is being implemented as part of Secretary Califano's March reorganization plan.
- . The Community Services Administration is developing plans for internal reorganization to improve policy development and implementation.
- . The House Education and Labor Committee plans to begin hearings in July on extending the Community Services Administration Act, and is exploring the consolidation of services programs for migrants in CSA.

Comment: None of the current initiatives approaches the problems of service delivery in a comprehensive way.

#### Prior Initiatives:

- . In 1971, President Nixon submitted a reorganization plan to consolidate all social, health, income, education and training programs administered by HEW, Labor, Agriculture, Justice and CSA into a Department of Human Resources. The social services, education and training programs would have been consolidated into the Human Development Administration within DHR.
- . In 1972, Secretary Richardson's staff developed a paper referred to as the HEW "Mega Proposal" which included recommendations to combine six major social services programs into one Social Services



Special Revenue Sharing Program, and to combine nine categorical health programs into a Health Special Revenue Sharing Program.

Recommended Action:

We propose a study of human services programs which would:

1. Analyze the planning, organization and administrative requirements of these programs to identify specific barriers to the comprehensive delivery of services to needy families and individuals.
2. Examine the existing organization of programs at the Federal, State and local levels to identify similarities and differences in terms of target populations, types of services and delivery mechanisms.
3. Develop Options and recommendations for structural and procedural changes (through reorganization plans and/or legislation) to consolidate and/or better coordinate the delivery of human services.

Such a study of human services programs would be coordinated by the Human Resources group of the President's Reorganization Project and would draw on the affected departments and agencies for staff assistance. Knowledgeable people from business and non-governmental organizations would be consulted as well. We would expect recommendations by May 1978 with interim reports and selected recommendations at earlier dates as appropriate.

Potential Benefits:

- . Needy families and individuals would have access to a range of services delivered in a more comprehensive and responsive way.
- . State and local administrators could plan and operate service programs in a more consistent and efficient way, and could shift funding and personnel from administration to the provision of services.
- . Federal policy development, oversight, evaluation and research relating to services would be better coordinated and more effective.



### Constraints and Potential Liabilities:

- . Consideration of program consolidation may be viewed by interest groups as an effort to diminish assistance to specific target groups or to reduce funding of specific categorical programs.
- . Many affected programs and agencies have a strong interest, reinforced by congressional committees, in maintaining their independence.
- . Changes in program planning and delivery systems would require legislation. Many congressional subcommittees with competing interests would probably claim jurisdiction, making the passage of such legislation difficult.

### Agencies, Groups, and Individuals Concerned:

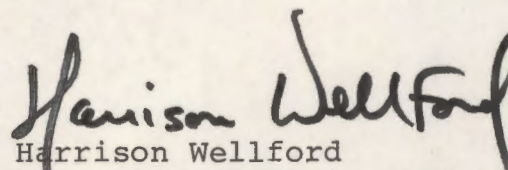
Agencies: Department of Health, Education and Welfare; Department of Agriculture; Department of Justice; Department of Labor; Department of Interior; Community Services Administration; ACTION; Appalachian Regional Commission; Legal Services Corporation; and the President's Committee on Employment of the Handicapped.

Groups: State and local government groups; national organizations of certain target groups (e.g., handicapped, children); national organizations of service providers and professionals (e.g., community action agency directors, community mental health center directors, and health and welfare administrators) and organized labor.

### Related Issues:

1. Welfare Reform
2. National Health Insurance
3. Education

Proposals for a press strategy to announce the selection of these issues also will be discussed at the June 23 meeting.

A handwritten signature in dark ink, reading "Harrison Wellford". The signature is fluid and cursive, with the first name "Harrison" and last name "Wellford" clearly distinguishable.

Harrison Wellford  
Executive Associate Director  
for Reorganization and Management



2:00 PM



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

June 22, 1977

THE PRESIDENT WAS SEEN.

MEMORANDUM FOR RICK HUTCHESON

FROM:

BO CUTTER

SUBJECT:

Presidential Meeting on Agency Ceilings  
for the 1979 Budget

Attached is the material for the President's meeting  
on agency ceilings for the 1979 budget which is scheduled  
for Thursday, June 23, 1977, at 2:00 p.m.

Attachment

**Electrostatic Copy Made  
for Preservation Purposes**

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

MEETING ON FY 1979 BUDGET

Thursday, June 23, 1977

2:00 p.m. (75 minutes)

The Cabinet Room

FROM: W. Bowles Cutter

I. PURPOSE

To decide agency ceilings for the 1979 budget.

II. PARTICIPANTS

The Vice President  
Bert Lance  
Stuart Eizenstat  
Hamilton Jordan  
Frank Moore  
Jody Powell  
Charles Schultze  
Jack Watson  
Jim McIntyre  
Bo Cutter  
Dale McOmber

Eliot Cutler  
Dennis Green  
Randy Jayne  
Suzanne Woolsey  
Gail Harrison  
Hubert Harris  
Robert Dietsch  
Michelle Mandell  
Pete Modlin



1979 BUDGET  
SPRING PRESIDENTIAL REVIEW  
DECISION SESSION ON AGENCY CEILINGS

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THE PRESIDENT HAS SEEN

## GENERAL INTRODUCTION



## AGENCY PLANNING CEILINGS

### Purpose

We seek your determinations on planning ceilings to be given the major agencies. Letters will be sent to the major agencies in the next few weeks giving them budget ceilings and other guidance for their September budget submissions.

### Planning Ceilings

The planning ceilings we are recommending are set at relatively low levels

- to provide room for later initiatives
- to force hard, zero-base assessments, including consideration of alternatives to present programs.

We believe the spending totals are well under the range of alternatives that will be suggested in upcoming discussions of fiscal and economic policy and related receipts and deficit estimates.

Agency reaction will be that estimates are very tight but

- if agency head believes they are too low, he can recommend amounts in excess of agency ceiling
- provided that those proposals are fairly ranked lower than recommendations within the ceiling.

It is appropriate for you to make your decisions in terms of 1979 outlays. However, in going to the agencies, we will also give them ceilings on budget authority for 1979. In this way, we can force appropriate consideration of 1979 budget requests that affect future spending as well as that for 1979.

At Charlie Schultze's suggestion, we are also planning to ask the agencies to submit ideas for new or expanded programs that might be used if the economy should take an unexpected downturn.

The following summarizes the outlay planning totals recommended:

	1978 Current Estimate	1979 Proposed Planning Ceiling	Resulting Outlay Levels	
			1980	1981
Outlays:				
Distributed by agency .....	480.2	506.6	530.9	559.6
Undistributed allowances:				
Civilian agency pay raises <sup>a/</sup> .....	1.1	2.2	3.4	4.7
Energy initiatives .....	1.2	2.1	3.3	3.7
Welfare program .....	---	1.8	5.0	5.5
Inflation and other contingencies .....	---	3.0	5.0	6.4
Offsetting receipts .....	-15.9	-17.1	-18.4	-19.6
Total .....	466.6	498.6	529.4	560.3

<sup>a/</sup> An allowance for Defense pay raises is included in the Defense total.

Amounts shown for pay raises, energy initiatives, and welfare reform cannot be distributed easily at this time. Estimates for inflation and other contingencies provide some cushion for adjusting budget totals within the planning ceilings for Congressional actions requiring higher spending as well as price rises.

#### Today's Decisions

Whatever decisions you make today will not prevent you from different decisions in the fall budget review. We will not automatically assume that you will hold to the planning ceiling amounts. However, we are concerned that we understand any courses or options that you believe we should not pursue.



In several cases, we have dropped the low option we recommended earlier that you did not wish to consider (the P.L. 480 program, for example). To be certain of your wishes in some doubtful areas, we want to review five specific issues.

## BUDGET PROCESS -- NEXT STEPS

During the summer, OMB and agency staffs will be working on a number of studies and other assessments of specific programs. OMB will also continue working with the agencies on development of the ZBB system and on the actual ZBB assessments of programs. In that connection, a number of agencies are well along with their ZBB reviews.

By September 1, we will give you a detailed memorandum

- summarizing the status of the ZBB review process at that time
- presenting a detailed plan for the fall budget review process
- outlining proposals for your participation in the process



ISSUES

1979 BUDGET  
SPRING PRESIDENTIAL REVIEW  
Department of Housing and Urban Development  
Issue #1: Subsidized Housing and Welfare Reform

Statement of Issue

Should budget dollars programmed for housing subsidies be transferred instead to welfare reform?

Background

Federal housing subsidy programs are intended to: (1) increase housing consumption by supplementing household purchasing power, (2) increase the stock of housing by encouraging new construction, and (3) improve older neighborhoods by subsidizing rehabilitation. About 27.5 million households are eligible for these subsidies, of which 5.7 million reside in housing that is considered substandard due to overcrowding or lack of complete plumbing facilities. Approximately 9.7 million households are expected to qualify for income supplements under welfare reform.

In 1978, it will cost HUD \$4.9 billion to subsidize the rental payments of 2.7 million households, pursuant to contracts entered into in prior years. Also in 1978, HUD will make new subsidy commitments on behalf of 400,000 additional households. Forty-three percent of these households will live in used housing; 57 percent will live in units built for the subsidy programs. By the end of the year, HUD will be legally obligated to provide additional subsidy payments of up to \$177 billion on behalf of these 3.1 million families. Regardless of whether a participating family lives in new or used housing, the family is almost certain to end up paying less for shelter than it did before entering the program, since tenant charges generally are limited to 25 percent of income. In fact, up to half of section 8 participants continue to live in their pre-enrollment dwelling. And,



judging from the housing allowance experiments, as many as two-thirds of these dwellings may not require repair to meet quality standards. Participating families also pay less than comparable nonparticipants, since 78 percent of poverty-level renters spend more than 25 percent of their income for rent.

Trends in occupied substandard housing provide evidence that housing deprivation is caused by insufficient income, rather than production deficiencies. During the 1950-1970 period when household income increased significantly and federally subsidized production was not an important factor, the number of units lacking complete plumbing or in a dilapidated condition fell by 75 percent, and the incidence fell from 34 percent to 6 percent.

#### Alternatives

- #1. Do not approve any additional families for housing subsidies, and phase out operating subsidies for public housing; redistribute the savings to the poverty population through welfare reform.

Compared with subsidies tied to housing, providing cash assistance directly to the poor through a reformed welfare system would be:

- . More equitable to the poverty population as a whole, since all poor families would be able to share in the benefits, rather than just the one out of every 13 poverty-level (\$6,000 annual income) households that now receive benefits under the housing programs.
- . More cost-effective, since HUD studies have found that \$1 spent for rental subsidies increases tenant welfare by only 50-75 cents.
- . Less costly over time, because low-income families can obtain adequate housing for considerably less than what it costs the Government (when indirect Federal subsidies are added to average contract rent under section 8, housing costs range from \$183/month to \$450/month; the median rent paid by households earning less than \$10,000 is \$155/month).



- . Make additional budget dollars within the base available for welfare reform, thereby enhancing its salability.
- . Lessen the political confrontation with HUD, the housing industry, and congressional banking committees.
- . Allow HUD to encourage new construction for lower income families and realize neighborhood preservation goals.

On the other hand, this alternative would be more costly to the Federal Government (+\$1.7 billion during 1979-1982), since the cost of housing subsidies is much greater than the value of these subsidies to the recipient. It would also perpetuate inequities among eligible families, since the value of housing subsidies would often exceed cash benefit entitlements. In addition, it would complicate the Federal Government's income maintenance system and require increased staffing for welfare reform (in order to make the more complicated benefit determinations).

- #4. Continue to approve housing subsidies for an additional 400,000 families each year and do not offset the value of these subsidies against welfare benefits.

The minimum benefit levels being considered for welfare reform may not support rents needed to achieve decent housing as well as other essentials in the family budget. This alternative would assure that at least some households (1.5 percent of those eligible each year) could secure decent housing without paying more than 25 percent of their income. It would also encourage new construction for low-income families and provide resources for renovating deteriorating housing in urban areas. As a result, it would avoid a confrontation with HUD and housing interest groups. It would also avoid any increase in the rent burden faced by one million public housing tenants.

On the other hand, this alternative would perpetuate the current inequities among lower income households, and would continue a very expensive new construction program (over \$28 billion in budget authority per year) that may not be necessary to secure an adequate supply of housing.



- . Easier to administer, since a large Federal staff would not be needed to review, approve, and watch over subsidy programs.

Alternative #1 would also enhance the political attractiveness of the Administration's welfare reform initiative without increasing costs. This alternative assumes that (1) welfare benefit levels (when supplemented by earnings or stipends for those required to work) will be adequate to cover the cost of essential goods and services, including housing; and (2) the supply of new housing will continue to respond to increases in demand.

On the other hand, by terminating public housing operating subsidies, the average rent burden on over one million tenants would increase from 19 percent of income to 35 percent. Moreover, HUD would have no program for increasing the supply of housing for groups not well served by the private market.

- #2. Transfer subsidized housing resources to welfare reform (as in Alternative #1), but retain a limited new construction program under public housing; phase out operating subsidies.

This alternative would realize most of the advantages of Alternative #1, while allowing HUD to satisfy any unique housing needs of specific groups (e.g., the elderly; handicapped; large, low-income families; and Indians) that may not be met by the private housing market.

- #3. Continue to approve 400,000 additional families for housing subsidies each year, but reduce cash benefits paid to these families under welfare reform by the value of the housing subsidies.

This would realize some of the advantages of Alternatives #1 and #2 without having to halt or curtail new activity under the housing programs. Alternative #3 would:

- . Reduce the inequities resulting from the present system under which a small number of poverty families receive sizable housing benefits while the majority receives no benefits.

Budget Impact  
(Dollars in Millions)

	BA <u>1/</u> <u>1979</u>	-----Outlays-----			
		<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Alternative #1	491	4,244	4,967	5,749	6,107
(Resources transferred to welfare reform)		275	620	1,185	2,171
Alternative #2	5,991	4,224	4,967	5,749	6,190
(Resources transferred to welfare reform)		275	620	1,185	8,278
Alternative #3	32,802	4,519	5,587	6,934	8,278
(Resources deducted from welfare payments) <u>2/</u>		165	372	711	1,302
Alternative #4	32,802	4,519	5,587	6,934	8,278

1/ Contractual obligations entered into in 1979.

2/ Assumes rental subsidies are worth 60 percent of direct cash assistance.



1979 BUDGET  
SPRING PRESIDENTIAL REVIEW  
Department of Labor  
Issue #2: Employment and Training (non-public service jobs)

Statement of Issue

How should resource levels for employment and training programs, including programs in the stimulus package, be set for 1979 and beyond?

Background

Resource levels under the Comprehensive Employment and Training Act (CETA) and its predecessors have in the past not been set in relation to expected progress toward achieving program goals. Achievement is usually measured by the net increase in participants' long-term employment and earnings compared to the experience of similar non-participants. Economic theory indicates that these programs should have a positive effect, but the first large scale well designed study to test the hypothesis was only launched in 1975 and will not provide good information for another year or two.

Absent such data, levels have been based on belief in the economic theory, which supports continuation of funding trends, or increases in response to high levels of unemployment generally, or among specific groups, like veterans or youth. The ten stimulus package program initiatives followed this practice. Each is defined only in terms of target group and throughput (number of individuals served), not output goals (number placed in better jobs than they could otherwise have obtained).

Zero-base budgeting will require explicit statements of output goals and measurement of progress, but the data limitations suggest that 1979 budget decisions will be made on grounds similar to those in the past.

Administration spokesmen stated that stimulus programs will go away as unemployment recedes, but many of the programs do not lend themselves easily to such a policy. Two programs (Job Corps, Youth Conservation Corps) require major capital investment that would be wasted if they must phase down; four (Job Corps, the three youth initiatives) address a problem generally perceived to persist regardless of cyclical unemployment; two (HIRE -- veterans on-the-job training -- and veterans outreach) have powerful constituencies who do not recognize their employment problem as cyclical.

#### Alternatives

- #1. Hold non-stimulus programs to 1978 level; phase out stimulus add-ons in 1979. There is no data related to program goals that can be used as an objective basis for adjusting base program levels. If there are sound, non-cyclically related reasons to continue any or all of the stimulus programs, this tight ceiling will force the Department to identify those reasons and show why other elements in the CETA base cannot be reduced or eliminated to make room.
- #2. Hold non-stimulus programs level; retain stimulus youth programs; phase out the balance. The designs of the youth programs so far show little likelihood of having any long-term impact on participants. However, there is much public and congressional support for responding to this problem. Having the resource available may provide the opportunity to devise a good strategy, and mute criticism of the Administration. Since much of the youth funding goes to local sponsors for their own designs, analysis of the programs they run may turn up good ideas.
- #3. Retain all base and stimulus programs at 1978 program levels. Labor might argue that despite inclusion in a countercyclical package, most of the programs really address -- or can be made to address -- structural employment problems. Retention of funding could enhance the ability to solve these problems.



	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Alt. #1	2,338	3,939	3,185	2,341	2,341	2,341
Alt. #2	2,338	3,939	3,950	3,718	3,718	3,718
Alt. #3	2,338	3,939	4,197	4,197	4,197	4,197

## Summary Statement

### National Aeronautics and Space Administration

#### Issue #3: NASA agency level

The civilian space program has been significantly reduced in size since the peak expenditure level reached during the Apollo program--from \$5.9 billion in FY 1966 to \$3.9 billion in FY 1978. (The total reduction in outlays is about 70 percent, after adjusting for inflation.)

Since Apollo, the NASA program has also been significantly redirected with:

- Increased emphasis on obtaining benefits in space in an orderly and systematic way. Benefits include practical applications (e.g., advanced weather and earth resources satellites) and scientific returns (e.g., increased fundamental understanding of the universe through planetary probes and earth-orbiting scientific satellites).
- Increased emphasis on aeronautical R&D--particularly development of advanced technology (largely new materials and components) for more fuel-efficient future air transports.
- Development of the reusable Space Shuttle which now accounts for roughly half of total NASA resource requirements.

The current NASA program is a balanced and forward-looking one with ongoing programs already approved in prior year budgets (e.g., the Space Telescope and LANDSAT-D requested in the FY 1978 budget) which should continue to move the U.S. forward in space science and applications and in advanced aeronautical technology.



There are, however, major long-range policy and budgetary issues which will need to be considered beginning in FY 1979. These include:

- (1) Post-Shuttle Space Program--Will the Administration want to commit to a large new engineering and development program in space once Space Shuttle development is completed and Shuttle funding and employment begin to turn down?
- (2) Solar Power Satellite--Should the Administration give active consideration--and, if so, to what extent--to this imaginative, but "far out" concept for providing future supplies of electrical energy as an alternative to other long-range energy technology options?

Depending upon the outcome of Administration decisions on the major thrust of the future NASA program, it may be appropriate to consider a third major issue:

- (3) Potential for "re-sizing" NASA's large field center complex after Space Shuttle development--Should consideration be given to rescoping the overall agency mission of NASA and reducing the agency's large field center complex (which now consists of ten field centers throughout the U.S.) beginning in FY 1980?

#### Long-Range Budgetary Strategies for NASA

The attached agency summary chart shows that there are substantial differences in longer-term budget alternatives, depending on key decisions affecting the future NASA program. The general high and low alternatives may be summarized as follows (all figures are in constant FY 1979 price levels):

	(BA in \$ Billions)				
	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
High alternative	4.0	5.0	5.4	5.4	5.4
Low alternative	4.0	4.3	4.1	3.8	3.5
Difference	--	-.7	-1.3	-1.6	-1.9

The high alternative represents OMB's assessment of the probable future course of the NASA budget the agency might advocate, including:

- completion of Space Shuttle development and implementation of a full Five-Orbiter fleet operating from the East and West Coasts;
- initiation of a small Space Station, phasing up as Shuttle funding phases down;
- initiation of at least advanced technology studies on the Solar Power Satellite;
- increasing emphasis on development of payloads to be flown by NASA in the Shuttle and of "free flyer" satellites to be launched into space by the Shuttle for both science and space applications missions;
- reentry of NASA into satellite communications R&D;
- continued growth in aeronautical R&D, including focused "technology readiness" efforts to support possible development of a second-generation Supersonic Transport in the 1980's;
- maintenance of ten NASA field centers at about current (FY 1977) staffing levels.

By contrast, the low alternative in addition to deferring any start on major new programs:

- applies relatively tight constraints on the NASA budget, implying that some new project initiatives in 1979 and future years require trading-off ongoing research and technology efforts and the costs of operating the NASA field installations.

The low alternative does not represent a carefully developed future year program plan. It does, however, illustrate that there exists substantial budgetary flexibility for evolving alternative long-range program strategies for NASA.

To assist in defining future budget strategies for NASA, the agency should develop by this Fall a baseline 5-year plan that would consider the feasibility of achieving substantial reductions in future NASA budget requirements as well as program alternatives at higher funding levels that the agency may consider appropriate.



1979 Spring Planning Review  
Water Resources Agencies  
Issue#4: Construction Funding Policy

Statement of Issue

What 1979 funding policy for ongoing water construction (Corps, Reclamation, TVA) should be adopted, given 1981 fiscal policy goals?

Background

Construction funding is the largest determinant of the total budget levels for the water resources agencies. As a result of expected project completions, funding requirements are projected to start decreasing in 1981 and accelerate downward thereafter. Any substantial number of new projects initiated in FY 1978 or 1979 can be expected to reverse this downward trend.

Construction funding can be varied over a range of hundreds of millions of dollars by speeding up or stretching out projects. Because of this great budgetary flexibility, water project construction can be used to contribute to the accomplishment of Administration fiscal goals as well as meeting the programmatic objectives of supplying project outputs to end users.

The different funding levels discussed below illustrate various possible approaches to using the water resource construction budget to contribute to the Administration's 1981 fiscal goals. For simplicity, all four alternatives discussed below assume no new construction starts through 1982, and no restoration of Presidential project terminations. It should be recognized that restoration of terminated projects would raise all the levels in the near term without significantly altering the shape of the curve, but that additions of new starts each year would tilt all the curves sharply upward in future years.

## Alternatives

- #1. Meet the completion dates last presented to the Congress (1981 outlays slightly lower than at present),
- #2. Agency "engineeringly optimal" schedules (outlays initially higher than at present but significantly lower by FY 1981) .
- #3. Slow down of construction by a series of annual decreases beginning in 1979 (outlays successively lower than at present, ending at a very low level in 1981-82).
- #4. Meet currently scheduled completion dates through 1980 but reduce budget sharply in 1981 and thereafter if necessary. (Outlays slightly lower than at present except very low level in 1981-82).

## Analysis

### Alternative #1 (Base estimate alternative)

Completion dates -- represents continuation of budget policy of last two years for projects under construction. Budget guidance in previous years for the Corps and the Bureau of Reclamation specified that the amounts programmed annually by the agencies for construction should be consistent with the long range projections in the budget document. The projections were programmed to provide the same amount of construction work in place each year. This guidance initially stretched out the construction of most projects, but now allows meeting the stretched out project completion dates within the 5-year planning ceilings. Projects with low priority outputs or other problems are significantly delayed compared to high priority projects, such as additions to hydroelectric capacity.



OMB recommendation

The FY 1979 budget policy letters should request the agencies to submit alternative construction levels covering the range of fiscal policy choices, including a budget level consistent with meeting published completion dates.

# 1979 Construction Funding Options

	<u>Alternatives</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Corps	1	1624	1649	1625	1618	1407
	2	1624	2049	1895	1348	1007
	3	1624	1549	1425	1368	1287
	4	1624	1649	1625	1368	1368
BuRec	1	596	498	467	450	443
	2	596	550	550	550	550
	3	596	450	450	400	400
	4	596	498	467	400	400
TVA	1	65	24	40	38	19
	2	65	24	40	38	19
	3	65	24	40	38	19
	4	65	24	40	38	19
Total	1	2285	2171	2132	2106	1869
	2	2285	2623	2485	1936	1576
	3	2285	2023	1915	1806	1706
	4	2285	2171	2132	1806	1787
Total Rounded	1	2290	2170	2130	2110	1870
	2	2290	2620	2490	1940	1580
	3	2290	2020	1920	1810	1710
	4	2290	2170	2130	1810	1790



## International Development Assistance

### Issue #5: Level of development assistance

Issue: What is the appropriate 1979 planning ceiling level given the recent Presidential decision to double foreign aid by 1982?

Background: OMB believes that the 1979 level should reflect a smooth path to the 1982 target. That target level, however, is subject to wide variation because the base program to be doubled can be defined in a number of ways.

For your initial preview session, OMB prepared options based on three different definitions of foreign aid (see Tables 1 and 2).

Double "Development Assistance" -- AID development programs, PL-480, contributions to international financial institutions (IFI's) as defined in the budget (Alternative #1 on the tables). This excludes security supporting assistance from the base, but includes IFI callable capital. This option includes a large increase in callable capital to support World Bank lending operations which you previously approved, but reduces PL-480 substantially (\$9.4 billion BA by 1982, \$5.7 billion outlays).

Double "Foreign Economic and Financial Assistance" (subfunction 151) (Alternative #3). This alternative includes both security supporting assistance and callable capital in the base (\$11.2 billion BA by 1982, \$6.9 billion outlays).

Double "Official Development Assistance" as defined by the OECD (Alternative #4). This includes security supporting assistance but excludes callable capital which is not concessional (\$13.8 billion BA by 1982, \$8.6 billion outlays).

You indicated at the preview session that we should emphasize increasing the effectiveness of PL-480 rather than decreasing the program levels. Accordingly, OMB has prepared a new Alternative #2 which is the same as Alternative #1 except that PL-480 is continued at the 1978 level rather than reduced. OMB now recommends this option as the most appropriate planning ceiling target. We base this recommendation on the programmatic factors we discussed with you in the review and on your planning guidance on PL-480. OMB believes, however, that your final decision must balance two potentially

conflicting goals, namely (1) insuring that the United States play a more constructive leadership role in meeting basic human needs throughout the world, and (2) improving the effectiveness of foreign aid programs. Initial organizational steps have already been taken to initiate the study which you requested at the preview session, and this AID-led effort should help determine whether the aforementioned goals will actually conflict. For any major increases in current program levels, OMB expects that the administrative capacity of the aid institutions will be strained, with commensurate impact on program effectiveness. Even at the higher-level options, however, U.S. aid "effort" (ODA net flows as a percent of GNP) will not increase significantly, and may even decline.

Accordingly, for planning ceiling purposes, OMB recommends that you approve the new Alternative #2, which by 1982 roughly doubles AID and IFI paid-in contributions, increases callable capital roughly six-fold, and holds PL-480 constant. This alternative will not meet the objectives of State or AID since ODA net flows as a percent of GNP would decline from .26 in 1977 to .20 in 1982. Earlier this year the agencies proposed increases along the lines of Alternative #3, and they may now believe the high alternative (which barely continues ODA as a percent of GNP) is the minimum internationally acceptable level (1982 budget outlays \$2.3 billion higher than the recommended level). However, as we pointed out in the review session with you, appreciable increases in the ODA net flow index (above the present .26) would require extremely large (multi-billion dollar) increases in 1979-81 BA and outlays.



1979 Development Assistance Ceiling Alternatives  
(BA in \$ Billions)

	1977 Base	1979			
		Alt. #1 Double Devel. Asst.	Alt. #2 OMB Rec.	Alt. #3 Double 151	Alt. #4 Double ODA Comm.
<u>Concessional Development Assistance (ODA)</u>					
IFI Paid-In Capital	.8	1.5	1.5	1.5	1.5
International Orgs.	.2	.3	.3	.3	.3
AID	1.1	1.5	1.5	1.6	1.7
P.L. 480	1.2	1.0	1.1	1.1	1.8
	<u>3.3</u>	<u>4.3</u>	<u>4.4</u>	<u>4.5</u>	<u>5.3</u>
<u>Other Concessional Aid (ODA)</u>					
Supporting Assistance	1.8	1.9	1.9	1.9	1.9
Other	.2	.2	.2	.2	.2
	<u>2.0</u>	<u>2.1</u>	<u>2.1</u>	<u>2.1</u>	<u>2.1</u>
<u>Non-concessional AID</u>					
IFI callable capital	.4	1.2	1.2	1.2	1.2
Total Budget Authority (151)	5.6	7.6	7.7	7.8	8.6
Total Outlays (151)	5.1	5.6	5.7	5.7	6.6
ODA Net flows	4.8	5.3	5.4	5.4	6.2
ODA Net flows as % of GNP	.26	.23	.23	.23	.26

1982 Development Assistance Alternatives  
(BA in \$ Billions)

	1977 Base	1982			
		Alt. #1 Double Devel. Asst.	Alt. #2 OMB Rec.	Alt. #3 Double 151	Alt. #4 Double ODA Comm.
<u>Concessional Development Assistance (ODA)</u>					
IFI Paid-In Capital	.8	1.5	1.5	1.8	2.4
International Orgs.	.2	.3	.3	.4	.5
AID	1.1	2.1	2.1	2.6	3.1
P.L. 480	<u>1.2</u>	<u>.5</u>	<u>1.1</u>	<u>1.1</u>	<u>2.4</u>
	3.3	4.4	5.0	5.9	8.5
<u>Other Concessional Aid</u>					
Supporting Assistance	1.8	1.9	1.9	1.9	1.9
Other	<u>.2</u>	<u>.2</u>	<u>.2</u>	<u>.2</u>	<u>.2</u>
	2.0	2.1	2.1	2.1	2.1
<u>Non-concessional Aid</u>					
IFI callable capital	<u>.4</u>	<u>2.9</u>	<u>2.9</u>	<u>3.2</u>	<u>3.2</u>
Total Budget Authority (151)	5.6	9.4	10.0	11.2	13.8
Total Outlays (151)	5.1	5.7	6.3	6.9	8.6
ODA Net flows	4.8	5.4	6.0	6.5	8.2
ODA Net flows as % of GNP	.26	.18	.20	.21	.27



# ANALYSIS OF CHANGES

BUDGET OUTLAY ESTIMATES, 1978-1980  
(in billions of dollars)

	<u>1978</u>	<u>1979</u>	<u>1980</u>
Base estimate.....	464.8	498.7	530.8
Defense and military assistance.....	---	2.4	7.3
Veterans programs: Congressional threats for pension reform and other benefits.....	1.3	1.8	1.8
Energy programs: Presidential initiatives, agency proposals, and congressional increases.....	1.1	1.7	2.1
Labor: Congressional threats in employment programs and black lung benefits.....	0.5	1.0	1.7
Housing programs: Congressional threats.....	*	0.5	1.4
Agriculture: Export credit financing and congressional threats in other programs.....	0.6	0.6	0.6
EPA construction grants.....	0.1	0.2	0.4
All other.....	0.7	1.4	2.1
	<u>469.2</u>	<u>508.3</u>	<u>548.3</u>
Adjusted base estimates:			
Defense and military assistance.....	---	-1.7	-6.4
Housing programs: Avoid congressional increases and make administrative changes.....	-0.3	-1.0	-2.0
Veterans programs: Avoid congressional increases and obtain enactment of cost-savings proposals.....	-1.1	-1.8	-1.9
Labor: Avoid congressional increases.....	-0.5	-1.0	-1.8
Agriculture: Consolidate and reform feeding programs.....	---	-1.5	-1.5
HEW: Avoid further 1978 add-on and annualization of 1978 appropriations compromise.....	---	-0.2	-1.3
All other.....	<u>-0.5</u>	<u>-2.5</u>	<u>-4.0</u>
OMB planning ceiling recommendation.....	466.6	498.6	529.4



OUTLAYS BY AGENCY

## BUDGET SUMMARY, 1978-1982

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(outlays in millions of dollars)

	1978		1979		1980		1981		1982	
	Adj. base	OMB recom.	Adj. base	OMB recom.	Adj. base	OMB recom.	Adj. base	OMB recom.	Adj. base	OMB recom.
Defense and military										
assistance.....	110,600	110,600	120,100	118,400	132,800	126,400	145,000	133,500	156,000	142,000
International programs.....	5,824	5,824	5,892	5,876	5,967	5,952	6,292	6,286	6,708	6,711
Agriculture.....	18,002	18,002	18,262	16,603	18,043	16,283	18,644	16,814	19,192	16,353
Commerce.....	4,951	4,960	4,416	4,405	2,996	2,914	2,558	2,458	2,377	2,359
Corps of Engineers.....	2,662	2,662	2,816	2,502	2,864	2,382	2,975	2,394	2,859	2,553
Health, Education, and										
Welfare.....	164,127	163,938	180,986	180,546	198,223	196,652	215,970	214,101	233,558	232,498
Housing and Urban										
Development.....	9,740	9,484	11,433	10,435	13,766	11,739	14,679	12,746	15,454	13,739
Interior.....	4,151	3,814	4,422	3,962	4,592	4,200	4,589	4,188	4,194	3,852
Justice.....	2,514	2,504	2,596	2,551	2,613	2,563	2,600	2,500	2,600	2,500
Labor.....	24,999	24,450	21,955	20,910	19,717	17,881	20,139	18,218	17,889	15,929
Transportation.....	15,073	15,073	16,124	15,900	16,867	16,171	16,658	16,500	16,743	17,000
Treasury.....	54,604	54,599	57,486	57,429	59,900	59,833	61,806	61,687	63,975	63,886
Energy Research and										
Development Administration.	6,682	6,682	7,385	7,040	7,593	7,231	7,386	7,092	7,405	7,041
Environmental Protection										
Agency.....	6,214	6,173	6,559	6,477	6,285	6,072	6,377	6,053	6,377	6,044
General Services										
Administration.....	357	357	316	323	293	298	317	322	328	333
National Aeronautics and										
Space Administration.....	3,913	3,913	4,407	4,276	4,439	4,125	4,329	3,870	4,077	3,600
Veterans Administration.....	20,219	19,082	21,491	19,692	21,659	19,793	21,487	19,649	21,441	19,553
Civil Service Commission....	11,435	11,435	12,901	12,910	14,392	14,401	15,850	15,859	17,449	17,458
Export-Import Bank.....	245	190	475	200	552	48	715	80	855	142
Federal Energy										
Administration.....	3,477	3,454	3,765	3,700	3,408	3,221	3,963	1,553	4,230	2,722
National Science										
Foundation.....	821	821	850	865	865	880	875	900	885	923
Small Business										
Administration.....	534	534	610	571	627	551	657	581	688	661
Tennessee Valley										
Authority.....	1,178	1,165	1,196	1,177	1,137	1,107	1,137	1,112	1,019	1,003
All other agencies.....	10,529	10,529	9,889	9,889	10,229	10,229	11,115	11,115	9,302	9,302
Undistributed allowances:										
Civilian agency pay raises	1,087	1,087	2,221	2,221	3,435	3,435	4,695	4,695	5,878	5,878
Energy initiatives.....	1,221	1,221	2,130	2,130	3,278	3,278	3,690	3,690	3,883	3,883
Welfare reform.....	---	---	1,800	1,800	5,033	5,033	5,500	5,500	5,500	5,500
Inflation and other										
contingencies.....	---	---	3,000	3,000	5,050	5,050	6,450	6,450	7,700	7,700
Undistributed offsetting										
receipts:										
OCS receipts.....	-2,700	-2,700	-2,500	-2,500	-2,500	-2,500	-2,500	-2,500	-2,500	-2,500
Other.....	-13,227	-13,227	-14,643	-14,643	-15,850	-15,850	-17,113	-17,113	-18,373	-18,373
Total.....	469,232	466,626	508,340	498,647	548,273	529,372	586,840	560,300	617,693	590,250



BUDGET AUTHORITY BY AGENCY

## BUDGET AUTHORITY BY AGENCY, 1978-1982

(in millions of dollars)

	1978		1979		1980		1981		1982	
	Adj. base	OMB recom.	Adj. base	OMB recom.	Adj. base	OMB recom.	Adj. base	OMB recom.	Adj. base	OMB recom.
Defense and military assistance 1/.....	120,400	120,400	134,800	126,600	145,300	134,000	156,100	140,600	166,400	149,000
Agriculture.....	15,566	15,566	17,425	15,651	18,777	17,021	19,013	17,183	18,766	16,927
Commerce.....	2,272	2,279	2,591	2,570	2,736	2,606	2,451	2,420	2,256	2,302
Corps of Engineers.....	2,646	2,646	2,831	2,516	2,864	2,382	2,955	2,374	2,849	2,538
Health, Education, and Welfare.....	170,128	169,748	185,805	185,805	204,941	203,940	227,089	226,139	249,719	250,277
Housing and Urban Development.....	42,073	39,843	42,048	12,945	42,441	13,212	42,490	14,075	42,576	14,056
Interior.....	4,398	3,894	4,682	4,132	4,805	4,470	4,731	4,338	4,354	4,017
Justice.....	2,495	2,445	2,542	2,492	2,539	2,489	2,500	2,400	2,500	2,400
Labor.....	21,758	21,325	24,629	22,954	20,980	19,211	20,400	18,560	20,148	18,288
Transportation.....	13,460	13,460	14,804	14,205	15,559	15,000	16,733	16,600	16,951	17,000
Treasury.....	55,735	55,729	59,149	59,083	62,114	62,039	64,032	63,917	65,278	65,194
Energy Research and Development Administration.	7,861	7,861	8,151	7,341	7,870	7,478	7,738	7,293	7,761	7,458
Environmental Protection Agency.....	5,900	5,451	5,913	5,547	5,910	5,576	5,910	5,561	5,910	5,561
General Services Administration.....	290	290	278	285	283	288	310	315	315	320
National Aeronautics and Space Administration.....	4,033	4,033	4,501	4,277	4,544	4,115	4,308	3,810	3,978	3,515
Veterans Administration.....	20,232	18,860	21,431	19,782	21,761	19,912	21,612	19,776	21,623	19,728
Civil Service Commission....	17,115	17,115	18,638	18,647	20,262	20,271	21,135	21,144	21,901	21,910
Export-Import Bank.....	---	---	1,322	558	1,360	566	1,191	603	1,004	643
Federal Energy Administration.....	4,454	4,428	3,313	2,857	3,508	3,515	3,927	1,525	4,048	2,598
National Science Foundation.....	885	885	885	923	885	923	885	923	885	923
Small Business Administration.....	624	624	794	869	825	1,045	856	1,345	886	1,695
Tennessee Valley Authority.....	138	118	132	113	134	104	131	106	122	106
Undistributed allowances:										
Civilian agency pay raises	1,087	1,087	2,221	2,221	3,435	3,435	4,695	4,695	5,878	5,878
Energy initiatives.....	1,331	1,331	2,280	2,280	3,248	3,248	3,725	3,725	3,883	3,883
Welfare reform.....	---	---	1,800	1,800	5,033	5,033	5,500	5,500	5,500	5,500
Inflation and other contingencies.....	---	---	3,000	3,000	5,050	5,050	6,450	6,450	7,700	7,700
Undistributed offsetting receipts:										
OCS receipts.....	-2,700	-2,700	-2,500	-2,500	-2,500	-2,500	-2,500	-2,500	-2,500	-2,500
Other.....	-13,227	-13,227	-14,643	-14,643	-15,850	-15,850	-17,113	-17,113	-18,373	-18,373

1/ Total obligational authority.



THE WHITE HOUSE  
WASHINGTON

June 23, 1977

TO: THE VICE PRESIDENT  
JACK WATSON  
LANDON BUTLER

FROM: RICK HUTCHESON

The President has the original  
memo. Attached is a copy for  
your information.

*Humphrey - Hancock*

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

June 22, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze **CLS**  
SUBJECT: Humphrey-Hawkins -- Meeting with  
Speaker O'Neill

Frank Moore, Stu Eizenstat and I met with Speaker O'Neill on Tuesday afternoon to discuss the Humphrey-Hawkins Bill.

I outlined the major areas in the bill that gave us trouble, but said that we could accommodate the spirit of the bill and a good bit of its framework in a rewritten version.

The Speaker said that he didn't believe the bill could pass in its present form. But he also said that he hoped we could find some way to reach an agreement with Humphrey and Hawkins to avoid a bloody fight.

He suggested that our next step should be to draft a detailed outline of a bill acceptable to the Administration, retaining as much as possible of the existing bill. He also suggested that we make our initial draft "tougher" than our final position to leave room for later compromise. After first trying to get Senator Humphrey on board we should then approach Congressman Hawkins with the new version. Even if this failed, he thought we would have demonstrated our good will. Finally, the Speaker said that no matter what happened there was no room on the House calendar for such a major bill this year. Hearings, of course, could be held.

I propose that we proceed along the line he suggested:



- . CEA and the Domestic Council will prepare a detailed outline of a new bill, and clear it through the EPG.
- . After your approval, we will try it out on Senator Humphrey and then on Congressman Hawkins.
- . If they are willing to accept the new bill, obviously after some negotiations on language, we will have avoided a major fight; and have a bill we can live with.
- . If they do not agree, then we could have our bill introduced, and let Hawkins' subcommittee hold hearings on the two bills. Even with the disagreement, our position would be a positive one, and not purely negative.

Agree \_\_\_\_\_

Disagree \_\_\_\_\_

See me \_\_\_\_\_

You now have pending a joint request from Senator Humphrey and Congressman Hawkins to meet with them and a group of outside supporters to discuss the bill. I suggest that Stu tell them we are preparing a specific set of suggestions which we will discuss with them immediately after the July 4 recess.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

See me \_\_\_\_\_

THE WHITE HOUSE  
WASHINGTON

June 23, 1977

TO: THE VICE PRESIDENT  
MIDGE COSTANZA  
STU EIZENSTAT  
HAMILTON JORDAN  
BOB LIPSHUTZ  
FRANK MOORE  
JODY POWELL  
JACK WATSON

RE: Schultze's Memo 6/23/77  
re Update on the Economic  
Situation.

The President has the original  
memo. A copy for your information  
is attached.

Rick Hutcheson



THE WHITE HOUSE  
WASHINGTON

ACTION	FYI		
		MONDALE	ENROLLED BILL
		COSTANZA	AGENCY REPORT
		EIZENSTAT	CAB DECISION
		JORDAN	EXECUTIVE ORDER
		LIPSHUTZ	Comments due to
		MOORE	Carp/Huron within
		POWELL	48 hours; due to
		WATSON	Staff Secretary
			next day

	FOR STAFFING
X	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
X	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

	ARAGON		KRAFT
	BOURNE		LANCE
	BRZEZINSKI		LINDER
	BUTLER		MITCHELL
	CARP		POSTON
	H. CARTER		PRESS
	CLOUGH		B. RAINWATER
	FALLOWS		SCHLESINGER
	FIRST LADY		SCHNEIDERS
	GAMMILL		SCHULTZE
	HARDEN		SIEGEL
	HOYT		SMITH
	HUTCHESON		STRAUSS
	JAGODA		WELLS
	KING		VOORDE

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

June 23, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze *CLS*  
SUBJECT: Update on the Economic Situation

The Pace of Economic Growth

Growth of real GNP this quarter apparently will be close to the 6.9 percent annual rate of the first quarter. The Commerce Department's unpublished preliminary estimate for the second quarter is 6.4 percent. This estimate seems more likely to be revised up than down as more data become available.

- . Construction in the second quarter is rebounding sharply from cold-weather induced delays earlier this year. Both residential building and State and local construction are moving up strongly.
- . Business equipment production has increased at an annual rate of 18 percent over the past three months.
- . Inventory investment is continuing to increase. Business reports do not indicate problems of overstocking.
- . The rise of consumer spending has slowed somewhat as the consumer saving rate has increased from an abnormally low level. Retail sales in April and May rose less than half as rapidly as in the prior three months, but are still running at a high level. Auto sales have remained well above the most optimistic industry projections made this spring.



- . Personal income appears to be rising about as rapidly this quarter as it did in the first quarter. Employment gains through May have remained very large.

Not all the news has been good:

- . The recent Commerce Department survey of business investment plans implies a very weak rise in these outlays over the latter half of 1977. This appears to us inconsistent with the upward trend of orders and contracts for new plant and equipment. We anticipate some upward revision in these spending plans over the months ahead, but we cannot be sure.
- . Foreign trade data through April indicate larger merchandise trade deficits than we had expected. Oil imports have begun to decline, but have gone down less than we expected. Other imports have risen strongly. Our exports -- particularly exports of machinery -- have remained relatively weak, reflecting the sluggish pace of recovery abroad.

#### The Rate of Inflation

Recently, we have seen some signs of the expected moderation of the rise in food prices that plagued us earlier in the year. Wholesale prices of farm products declined 2.3 percent in May, following large increases that extended over five months. Good spring rains and large planting figures are helping to keep grain prices down and the winter wheat crop is close to last year's record. Futures prices for cattle have eased -- although they could turn around later. Consumer food prices rose less in May than the average for the previous four months, and the rise in overall consumer prices also slowed -- to 0.6 percent.

Another favorable price development recently has been the trend of sensitive industrial materials prices. The Federal Reserve Board's index of these prices rose about 12 percent from early November 1976 through early April, but since then has fallen about 6 percent.



Despite these favorable developments, we believe the underlying rate of inflation is still in the range of 6 to 6-1/2 percent, and has shown no improvement. Wage and fringe benefit increases are running at about 8 to 8-1/2 percent a year, the same as last year.

#### Financial Conditions

In April the Federal Reserve took actions to restrict the growth of money in response to sharp increases in the money supply. As a result, short-term market interest rates increased.

Since the end of April, the narrowly-defined money supply ( $M_1$ ) -- which consists of currency and checking deposits -- has remained unchanged. Short-term market interest rates have come down a little but are still about one-half percentage point above their levels in early April. Long-term rates did not respond much to the Federal Reserve's tightening measures, and they are now generally at or a little below their levels in early April.

Participants in financial markets now appear to expect smaller increases in short-term interest rates during 1977 than they did earlier this year. Fears of a severe tightening of monetary policy this year seem to have waned.

Stock prices have improved somewhat since late May, but there are no clear signs yet that the markets for equities have come out of the doldrums. The broader indexes of stock prices are still 6 percent below their levels at the beginning of this year.

#### The Outlook

We expect real economic growth to slow to a little over 5 percent in the second half of this year. Residential construction, inventory investment, and personal consumption are all expected to grow at a slower rate. State and local government expenditures should grow more quickly, however, as the stimulus program begins to take effect. Some catchup from the Federal expenditure shortfall is also expected.



This forecast for the second half of 1977 is predicated on the assumption that business investment will rise more strongly than the recent Commerce survey of business plans indicates. Optimism on this score seems to us warranted at the present time.

- . If we are correct in this assumption, growth in real output from the fourth quarter of 1976 to the fourth quarter of 1977 will probably be within our 5-3/4 to 6 percent growth target.
- . If investment spending weakens, growth in real output this year would probably be at, and conceivably could be slightly below, the lower end of that range.

Prospects for hitting our target growth rate of 5 to 5-1/2 percent for 1978 hinge crucially on the outlook for business fixed investment. Our present forecast is for a growth rate a little under 5 percent during the four quarters of 1978, even assuming a strong rise of business plant and equipment spending and no Federal expenditure shortfall in 1978.

THE  
BIBLICAL  
ARCHAEOLOGICAL  
SOCIETY



THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

VISIT TO NEW YORK CITY

Thursday - June 23, 1977

Attire: Black Tie

From: Tim Kraft

SEQUENCE

6:40 p.m. You board helicopter on South Lawn and depart en route Andrews AFB. Senator Hubert Humphrey and Jack and Judy Carter will accompany you aboard the helicopter.

6:55 p.m. Helicopter arrives Andrews AFB. You board Air Force One.

7:00 p.m. Air Force One departs Andrews AFB en route JFK International Airport, New York, New York.

PRESIDENTIAL GUESTS

Senator Hubert Humphrey (D-Minn.)  
Jack and Judy Carter  
Mr. and Mrs. Smith Bagley  
\*Mr. Nathan Landow  
\*Mr. and Mrs. Ed Gregory

7:45 p.m. Air Force One arrives JFK International Airport.

OPEN PRESS COVERAGE  
CLOSED ARRIVAL

\* See attached.

2.

7:50 p.m.

You board helicopter and depart JFK International Airport en route Wall Street helopad.

(Flying Time: 15 minutes)

PRESIDENTIAL GUESTS

Senator Humphrey  
Jack and Judy Carter

8:05 p.m.

Helicopter arrives Wall Street Helopad.

OPEN PRESS COVERAGE  
CLOSED ARRIVAL

You and Senator Humphrey proceed to motorcade, board, and depart en route Waldorf Astoria Hotel.

8:22 p.m.

Motorcade arrives Waldorf Astoria Hotel.

OPEN PRESS COVERAGE  
CLOSED ARRIVAL

You will be met by:

Hon. Kenneth Curtis, Chairman, Democratic  
National Committee  
Mr. Arthur Krim, Salute to the President  
Dinner Co-Chairman  
Mr. Steve Ross.

Escorted by Messrs. Curtis, Krim and Ross, proceed inside Grand Ballroom and informally greet guests seated at tables for the DNC Salute to the President Dinner.

OPEN PRESS COVERAGE  
ATTENDANCE: 850

9:25 p.m.

Escorted by Messrs. Curtis, Krim and Ross, proceed to stage.

9:30 p.m.

Arrive stage and remain standing.



3.

9:30 p.m.	Remarks by Kenneth Curtis.
9:33 p.m.	Remarks by the Vice President.
9:37 p.m.	Remarks by Arthur Krim, concluding in the introduction of the President.
9:40 p.m.	PRESIDENTIAL REMARKS.
	FULL PRESS COVERAGE
9:55 p.m.	Remarks conclude. You thank your hosts, and escorted by Messrs. Curtis, Krim, and Ross, proceed to motorcade for boarding.
	OPEN PRESS COVERAGE CLOSED DEPARTURE
10:00 p.m.	Motorcade departs Waldorf Astoria Hotel en route Wall Street Helopad.
	(Driving Time: 12 minutes)
10:12 p.m.	Motorcade arrives Wall Street Helopad.
	OPEN PRESS COVERAGE CLOSED DEPARTURE
10:17 p.m.	You board helicopter and depart Wall Street Helopad en route JFK International Airport.
10:32 p.m.	Helicopter arrives JFK International Airport.
	OPEN PRESS COVERAGE CLOSED DEPARTURE
	Board Air Force One.
10:37 p.m.	Air Force One departs JFK International Airport en route Andrews AFB.
	(Flying Time: 50 minutes)

4.

11:27 p.m.

Air Force One arrives Andrews AFB.  
Board helicopter and depart en  
route the White House.

11:47 p.m.

Arrive White House.

# # # # #



NATHAN LANDOW (Nate)

- President of Landow and Co.
- Builders and Property Management Company
- Been active for years in the National Finance Council
- Resides in Bethesda
- Big contributor to the Party

EDMUND A. GREGORY (ED)

- Wife Vonna Jo (JO)
- From Pensacola, Florida
- Chairman of the Board of The Faith Investment Company in Pensacola
- Has been active in the National Finance Council
- Big contributor to the Party

## POLITICAL OVERVIEW



The New York political picture is dominated by the New York City mayoral primary on September 8th. Bella Abzug is currently the marginal front-runner with Mayor Beame in second place. Most political observers predict a September 11th run-off between Abzug and Beame (a 40% plurality is required to avoid a run-off.) The General Election is November 8th. Mario Cuomo, the current Secretary of State, which is an appointed office, is Governor Carey's candidate, but he is having difficulty getting his campaign into full swing. Regardless of the results of the Primary, however, Cuomo will be insured a place on the General Election Ballot in November because of his endorsement by the Liberal Party. Carey has announced that he will support Cuomo in the General Election even if he is not the Democratic nominee. Because of the involvement of Pat Caddell and Jerry Rafshoon in Cuomo's campaign, there is a perception that the White House is "tilting" in his direction.

Other hotly contested NYC races are for President of the City Council, with incumbent President Paul O'Dwyer pitted against Councilman Carter Burden, and the race for Manhattan Borough President between Assemblyman Andrew Stein and Council member Robert Wagner, Jr.

In Westchester County, County Executive and early Carter supporter, Alfred Del Bello, is up for re-election and has a slight edge in a tight primary race against Democratic Assemblyman, Gordon Burrows. In upstate New York significant mayoral races include: -Albany, where incumbent Mayor Erastus Corning II is considered a heavy favorite; -Buffalo, where there is a tight race between Deputy Mayor Leslie Foschio and State Assemblyman Arthur Eve; -Binghamton, where Republican incumbent Alfredo Libous is a slight favorite to win over Democratic candidate, Richard Shiel.

#### Issues

In New York City perhaps the most controversial federal-state issue at the moment is automobile parking in Manhattan. Responding to a Federal Court order, obtained by the Natural Resources Defense Council, New York City has begun to implement an anti-air pollution EPA-approved "Traffic Control Plan" which prohibits or limits parking in certain areas of midtown. Approximately 6,500 existing spaces are affected. Though New York City has the worst carbon monoxide problem in the country, the public reaction to the parking ban has been highly negative among motorists, retail businesses and politicians. EPA has stated that it considers the court order reasonable.

Other major issues in New York City are:-crime; -unemployment at 9.4%;-a decline of public services provided by the city; -Federal and State aid to the City; -federalization of the welfare system;-the SST landings; -support of the IRA.



Issues of broad public concern which are pending in the State Legislature are the Death Penalty Bill, which the Governor has announced he will veto, and the Marijuana Decriminalization Bill, which appears to have majority support in both houses and the Governor's backing.

Response to the Carter Administration in the State has been generally positive. A poll in upstate New York released June 6th by the Buffalo Evening News showed that 60% of those surveyed agreed with the President's Energy Plan and 55.2% agreed with his handling of the economy. Of those polled, 51.9% gave the President a good or excellent job rating, a decline from 61% in April and 64.7% in February. This decline has been attributed to the continuing concern over the high level of unemployment in the area. No current state-wide polling information is available.

The New York State Democratic Party is chaired by Dominic Baranello. The Party recently raised \$210,000 in a June 15th fundraiser, keynoted by Senator Edward Kennedy, in an effort to pay off its current debt of \$400,000. Baranello has publicly expressed displeasure with the failure of the DNC Dinner Committee to involve him in the event and with certain Administration appointments in New York. He will be invited to the State Dinner for the President of Italy on July 26th.

New York State's 39 member Congressional delegation has 25 Democratic congressmen. New York City has 17 Congressional members. All of the City's members are Democratic and none is in any trouble politically. Jim Delaney, Chairman of the House Rules Committee, is the senior member of the New York State Democratic Caucus. Congressmen Badillo and Koch have both entered the Mayor's race.

#### The Dinner

The Salute to the President is co-hosted by:

- :Arthur Krim, Chairman, United Artists, Inc.--(wife Mathilde)
- :Steve Ross, Chairman, Warner Communications, Inc.--(divorced)
- :Mary Lasker, Philanthropist-(husband deceased)

It appears that the proceeds from the dinner will exceed one million dollars. The following people have contributed significant effort to the event:

:Arthur Krim: fundraiser for Kennedy and Johnson who has personally raised over a third of the total contributions. This is his "Last Hurrah" as a fundraiser for Democratic Presidents. He is an advocate of the Administration's Africa and Mideast policies in New York circles.

:Steve Ross: a very strong supporter who has, in Krim's eyes, earned the successor position to Krim as a Presidential fundraiser.

:Sonny Dogle: one of Senator Jackson's top fundraisers in his Presidential campaign and a major supporter of Hubert Humphrey for 20 years. A leader in Pennsylvania politics and a major fundraiser for the Jewish Community nationally.



Jay Emmett, VP Warner Communications  
Phil Walden, President Capricorn Records  
Paul Tipps, State Chairman, Ohio  
Peter Kelley, County Chairman, Hartford, Connecticut  
Sam Harris, New York City attorney, former law partner  
of HUD Secretary Patricia Harris

The entertainment industry (United Artists, Warner Communications, Capricorn Records, etc.) is credited with making this dinner the largest fundraiser for a Democratic President in New York City history.

New York Labor, following the precedent set by the AFL/CIO in the Washington Congressional Dinner, is informally boycotting the dinner to express its distaste for some of the Administration's actions. To date only seven tickets have been purchased by labor, 5 by UAW and 2 by AFSCME.

We have information that indicates that the following groups plan demonstrations outside the hotel:

- Anti-abortion
- Gay rights
- ABC technicians
- Anti-Concorde
- Pro-IRA
- Militant feminists
- Radical left (B-1, etc.)

## POLITICAL BACKGROUND



## CURRENT POLITICAL RACES

The dates for the New York statewide municipal elections are:

Primary;	September 8th
Runoff;	September 11th
General;	November 8th

### I. New York City Races:

Mayoral  
City Council  
Comptroller  
Borough Officers

#### Issues:

- Crime; pervades most every aspect of New York City life
- Jobs; municipal employees are anxious about their future; additionally, many corporate offices are leaving the city
- Delivery of city services; from paying its debts to collecting its garbage - New York City has substantial credibility problems (though the Big Mac bond rating has been upgraded recently)
- On street parking
- SST landing rights
- West Side Freeway
- Aid to cities

#### Mayoralty Democratic Candidates: (Abzug favored over Beame)

##### Abe Beame

- Endorsed by Speaker Steingut, Bronx Leader Cunningham, Brooklyn Leader Esposito and Sol Chaikin, JLGWU Central Labor Council
- No money problems
- Carter supporter, first supported Jackson
- Campaign managed by Bernard "Buddy" Beame, the Mayor's son

Bella Abzug

- Current front runner
- Endorsed by Lt. Governor Krupsak, New Democratic Coalition (N.Y. Reform)
- Appeals to women/ Liberals/Parochial New Yorkers
- Campaign co-managed by Terry O'Connell, former Carter/Mondale coordinator in California
- NTA (Weintraub) will make 400,000 telephone contacts

Mario ~~Cuomo~~<sup>no</sup> Cuomo, Secretary of State

- Candidate of Carey and the New York Daily News
- Rafshoon and Caddell are on board as consultants
- Has endorsement of the New York Liberal Party, insuring him a spot on the ballot in the General even if he loses the Primary
- A dark horse candidate, low name recognition

Percy Sutton, Manhattan Borough President

- Heavy black support
- Endorsed by Congressman Rangel and Muhammad Ali
- Slipping in the polls
- Extremely well financed

Edward Koch (18th Congressional District)

- Liberal midtown Congressman, East Side political base
- Must pull liberal and Jewish support
- David Garth is going the media
- Money is not a problem
- Seen only as a spoiler

Herman Badillo (21st Congressional District)

- Last in race; has run twice unsuccessfully
- Appeals to Puerto Ricans, minorities and liberals
- Is given little chance to win
- Seen as another spoiler, particularly to Abzug and Sutton

Joel Harnett

- Manhattan Democrat
- Personally wealthy
- Politically unknown and weakest candidate in field



Mayoralty Republican Candidates: (Goodman favored)

Roy Goodman

- Liberal, represents midtown Manhattan in State Senate
- A real threat if Democrats are bloodied in the primary
- Endorsed by Jacob Javits
- Carey support of Cuomo denied Goodman the Liberal Party endorsement

Barry Farber

- Conservative
- Radio talk show host
- Endorsed by conservatives, insuring him a spot on the ballot

President of the City Council: (Race currently between O'Dwyer and Burden)

In New York the President presides over the City Council and is an Ex officio member of the Board of Estimates which passes on all purchases, contracts, etc.

Paul O'Dwyer

- Incumbent, appeals to liberals and Jews
- Having trouble raising funds

Abraham Hirschfield

- Millionaire builder
- Former Treasurer of the New York Democratic Committee
- Unsuccessful at seeking the Senate nomination in 1974 and 1976 primaries

Carol Bellamy

- State Senator from Brooklyn
- Attorney
- Has Liberal endorsement

Carter Burden

- Represents the East Side District in the City Council
- Wealthy
- Liberal
- Considered among the top with O'Dwyer

Leonard Stavisky

- Queens Assemblyman
- Intends to announce soon

Comptroller:

Harrison Goldin

- Right now is running unopposed
- He is seeking his 2nd term

Manhattan Borough President: (Vacated by Sutton; race currently between Wagner and Stein)

Robert Wagner, Jr.

- Currently an at-large member of the Council
- Endorsed by the New Democratic Coalition and regular organization
- Son of former Mayor

Ms. Ronnie Eldridge

- Former aide to ex-mayor Lindsay
- Endorsed by Lt. Governor Krupsak

David Dinkins

- New York City Clerk
- Ambassador Andrew Young has attended a fundraiser for Dinkin

Andrew Stein

- Assemblyman from Manhattan
- Wealthy, young, liberal
- Best known for his part in Nursing Home inquiry
- Disliked by Steingut and party regulars

II. Upstate Races:

ALBANY Mayoralty:(Corning favored to win over Nolan)

Erastus Corning II

- Elected 1941
- Running for 10th consecutive term
- County Party Democratic Chairman
- Organization candidate
- Heavy favorite



Howard Nolan

- State Senator
- Easily elected in 1974
- Split with Democratic organization
- Reform candidate

(No Republican candidate running in the election)

BUFFALO Mayoralty:(Tight race between Foschio and Eve;  
incumbent Mayor Stanely Makowski is not running for  
re-election)

Leslie Foschio

- Democrat
- Currently Deputy Mayor
- Organization candidate
- Close to Crangle

Arthur Eve

- State Assembly
- Black, liberal
- Has Liberal Party endorsement
- Opposed by Crangle

James D. Griffin

- State Senator
- Conservative
- Opposed by Crangle

BINGHAMTON Mayoralty:(Libous has slight lead over Shiel)

Alfred Libous

- Republican incumbent
- Primary opposition likely but not a threat

Richard Shiel

- Unopposed in the Democratic Primary
- Coordinated Stanley Steingut's staff

III. Westchester County Executive:(tight race between Del Bello  
and Burrows)

Alfred Del Bello

- Incumbent Democrat County Executive
- Early Carter supporter
- 1st Democratic County Executive of Westchester
- Currently has the edge in race

Gordon Burrows

- Democrat
- Moderate State Assemblyman

## ISSUES



## NEW YORK LEGISLATURE AND KEY POLITICAL ISSUES

### State Assembly

- Controlled by Democrats 90-60
- Stanley Steingut (Brooklyn), Speaker of the Assembly
- Stanley Fink (Brooklyn), Assembly Majority Leader

### State Senate

- Controlled by Republicans 36-24
- Manfred "Fred" Ohrenstein, Senate Minority Leader
- Warren Anderson, Republican Senate Majority Leader

### Death Penalty

- Introduced by Senator Volker (R-Erie County) and Assemblyman Graber (D-Erie County) - Graber's District includes Attica Prison
- Institutes the death penalty for certain capital offenses
- Expected to pass both Houses easily
- Governor will veto the bill
- Enough votes in the Senate to override the veto but there may be enough votes in the Assembly to sustain the veto (should be a very close vote)
- Steingut, Fink and Ohrenstein oppose the bill and support Carey's veto

### Marijuana Decriminalization

- Introduced by Senator Barclay (R) and Richard Gottfried (D-Manhattan)
- Decriminalizes possession of up to an ounce and a quarter
- Failed in the Assembly by 6 votes, but roll call was withdrawn
- The bill comes up the week of June 20th in both the Assembly and the Senate; it is expected to pass in both Houses
- Supported heavily by Carey
- Democratic and Republican leadership support the bill

### Economic Development Bond Issue

- 3/4 billion dollar package
- Governor's major proposal
- Different economic development projects throughout the state

- Purpose is to stimulate economic development, i.e., the public works projects
- The two Houses could not agree as to the specific list of projects, therefore, it was agreed that the bond issue will be placed on the November ballot without a mandate of the list of projects

#### Budget

- Just over \$11 billion, balanced budget
- First time in 56 years that the tax bill to the public will decrease
- Held the line on state spending
- Carey's fiscal policy is more conservative than Rockefeller's was
- Cut \$477 million out of welfare and social service programs

#### New York City Parking Restrictions

- In April, 1973, New York submitted their Traffic Control Plan (TCP) to EPA and it was approved
- In October, 1974, the Natural Resources Defense Council (NRDC) started a suit against the city for failure to implement the EPA approved TCP
- In January, 1975, EPA started enforcement action against New York City, but was subsequently prohibited by Congress from using funds to regulate parking and could take no further enforcement action
- In April, 1976, following a motion by NRDC in their lawsuit, EPA and NRDC were joined as co-defendants for the purpose of assisting the Court in formulating relief
- After decision being changed twice by successively higher Courts, Judge Kevin Duffey of Federal District Court ordered the city to begin implementation of an NRDC proposed parking order.
- The city had to begin implementation by June 14, 1977
- The order is opposed by Mayor Beame, who has asked City Corporation Council to seek a stay of the new order
- The city is also asking the U.S. Supreme Court to take jurisdiction and overrule the District Court
- EPA believes order to be reasonable, saying it appears that it will only eliminate at most 500 on-street legal parking spaces
- Benefit will be to speed the flow of existing traffic and reduce the levels of carbon monoxide. New York City has the worst carbon monoxide problem in the Nation



### School Financing

- The public is angrily complaining that property taxes are much too high
- There are several suits pending in the New York Courts seeking to invalidate property taxes as a method of school financing and the feeling is that the Courts will find the use of property taxes for school financing unconstitutional

### SST

- Overwhelming opposition to the SST landing at Kennedy Airport continues to exist in New York City and adjacent communities
- Opponents include Governor Carey, Senator Moynihan, Queens Borough President and County Chairman, Don Manes and the Port Authority, which may ultimately be responsible for permission to land
- State Legislature is on record as opposing SST

### Crime

- In an effort to reduce the already soaring crime rate in the city, the Legislature passed several measures toughening the penalties for conviction of violent crimes such as assault, robbery, and murder

### IRA

- Support of IRA key issue in New York State with Irish population
- Governor Carey in April 22nd speech came out against IRA
- Paul O'Dwyer, staunch IRA supporter, walked out of an Israel Bonds Dinner in New York rather than share dais with Carey
- In June 15th Democratic Dinner speech, Kennedy praised Carey's position
- IRA sympathizers picketed Democratic Dinner against Kennedy, Carey and Moynihan

# STATE AND LOCAL STATISTICAL SUMMARY

## UNEMPLOYMENT ( seasonally unadjusted)

### NEW YORK METROPOLITAN

APRIL  
1977: 9.4  
1976: 11.2

MARCH  
1977: 9.7  
1976: 11.2

JANUARY  
1977: 10.3  
1976: 11.7

### NEW YORK STATE

APRIL  
1977: 9.0  
1976: 10.6

MARCH  
1977: 9.5  
1976: 10.9

JANUARY  
1977: 10.2  
1976: 11.0

### NATIONAL

APRIL  
1977: 6.9  
1976: 7.4

MARCH  
1977: 7.9  
1976: 8.1

JANUARY  
1977: 8.3  
1976: 8.8

## VOTING AND REGISTRATION

### NEW YORK CITY ( 7 -22 C.D.)

#### PRESIDENTIAL VOTE

66.8% Carter  
33.2% Ford

#### REGISTRATION

70.7% Democrats  
17.5% Republicans  
2.2% Liberals  
1.6% Conservatives  
8.1% Blanks

### NEW YORK STATE

#### PRESIDENTIAL VOTE

52.2% Carter  
47.8% Ford

#### REGISTRATION

48.3% Democrats  
35.3% Republicans  
1.4% Liberals  
1.6% Conservatives  
13.% Blanks

## VOTER TURNOUT

1976 Election: City 78.3% of the registered voters  
State 83.4% of the registered voters



# STATE AND LOCAL REACTION TO CARTER ADMINISTRATION

## BUFFALO EVENING NEWS POLL.

The poll was released June 6, 1977. It polled 409 people, 338 from Erie County Buffalo and 71 from Niagara County. The following is the poll result:

	<u>Strongly</u> <u>Agree</u>	<u>Agree</u> <u>Somewhat</u>	<u>No</u> <u>Opinion</u>	<u>Somewhat</u> <u>Disagree</u>	<u>Strongly</u> <u>Disagree</u>
<u>Carter Energy Plan</u>	17%	43%	12.8%	15.6%	11.2%
<u>Carter Handling of</u> <u>Economy</u>	13.4%	41.8%	20.3%	15.6%	8.9%

	<u>February 1977</u>	<u>April 1977</u>	<u>May 12, 1977</u>
<u>Carter Job Rating --</u> <u>Good or Excellent Job</u>	64.7%	61.9%	51.9%

VIP DINNER ATTENDEES



VIP ATTENDEES WHO WILL BE AT THE SALUTE TO THE  
PRESIDENT DINNER

Congressman

Joseph Addabbo (D-7th District)

- Liberal
- Represents southern Queens (37% Black)
- McGovern received 59% in 1972 Presidential election
- Member of Appropriations Committee
- Attorney

Edward Koch (D-18th District)

- Liberal
- Represents the fashionable upper East Side of Manhattan
- McGovern received 58% of the vote in 1972
- Practicing attorney
- Announced candidate for Mayor against Mayor Beame. Bess Myerson is his campaign manager
- Member of the Appropriations Committee

State Elected Officials

Governor Hugh Carey (D)

- Elected 1974
- Attorney from Brooklyn
- Has endorsed Cuomo for Mayor

Speaker of the Assembly Stanley Steingut

- Democrat from Brooklyn
- Close to Beame, is supporting the Mayor for re-election
- Second most powerful person in New York State politics

Local Elected Officials

Mayor Abe Beame

- Up for re-election in 1977
- Serving his 1st term
- Strong Carter supporter after supporting Jackson earlier
- Delivered Jackson votes to the President

Donald Manes, Borough President from Queens

- Queens Democratic County Leader
- New York City campaign coordinator for the President after the convention
- Pronounced "Man'-nes"

Pat Cunningham, Borough Leader from the Bronx

- Attorney
- Chairman of the Bronx County Democratic Committee
- Past Chairman of the New York State Democratic Committee

#### DNC Committee

Dominic Baranello, Chairman

- Recently elected in February, 1977
- Attorney, Suffolk County, Long Island
- Seen as Carey's person but he is determined to be his own man and a strong Chairman
- He is unhappy with the June 23rd fundraiser and job referrals process

Midge Constanza

- Vice Mayor, Rochester City Council, 1973-1977
- Presently Assistant to the President for Public Liaison

Frank A. Rossetti

- Former member of State Assembly, 1943-44 and 1955-72
- Labor representative
- Democratic Committee leader for Manhattan

#### Early Carter

Howard Samuels

- Business consultant
- Co-chairman New York State COPE
- Supporting Mario Cuomo

William Vanden Huvel

- Attorney
- Waiting to be confirmed Ambassador to the UN in Europe (Geneva-will definitely go)

Joan Gross

- Librarian
- Assistant Director, Carter-Mondale New York Campaign

#### Labor

Victor Gotbaum

- Executive Director, District Council 37 AFSCME
- Udall
- Vice President, International AFSCME



- Vice President, New York State AFL/CIO
- Vice President, New York City Central Labor Council
- Chairman, Municipal Labor Committee (represents all municipal labor unions in New York City)
- Not yet supporting any mayoral candidate

Sol Chaikin (Chick)

- President, International Garment Workers
- Supporting Beame for Mayor

Martin Gerber

- Vice President, U.A.W.

Anthony DeLorenzo

- U.A.W. Regional Director for New England and downstate New York

Ed Gray

- U.A.W. Regional Director, New Jersey, Pennsylvania and upstate New York

Tom Natcuras

- Assistant to Ed Gray

John Flynn

- U.A.W. Region 9A Political Director
- Connecticut

#### Out of State Dignitaries

Senator John Glenn (D-Ohio)

- Elected in 1974
- Former astronaut, marine pilot and businessman
- Defeated by Metzenbaum in 1970 Democratic Primary

Senator Howard Metzenbaum (D-Ohio)

- Junior Senator from Ohio
- Elected in 1976
- Millionaire businessman

Governor Milton Shapp (D-Pa.)

- Ran for President in 1976 Primary
- Big Carter supporter in the General Election